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JULY, 1946

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PUBLIC misunderstanding of private enterprise and the "profit" system continues to be fed by the ambiguous, confusing language of corporation balance sheets and income accounts. Writing in *Trusts and Estates*, Don Knowlton points out that a large share of the current difficulties experienced by management in presenting its case to the public is due not to the facts but to the terminology employed. While many progressive companies have improved and simplified the presentation of their financial reports, the majority of reports continue to include terms that have definite accepted meanings to accountants but are differently interpreted by the public and by labor.

The author cites a number of specific illustrations of misleading terminology and suggests some substitutes. "Surplus," for instance, is defined by the dictionary as "that which remains when use or need is satisfied; excess." Is it any wonder that unions strike for higher wages, inquires Mr. Knowlton, when they feel that management has cash stuck away some place *over and above all its possible needs*? "Reinvested in the business" is suggested as a more accurate, much less dangerous substitute for "surplus." (More facts about the semantics of financial reports on pages 298-300).

UNIONS usually enter upon collective bargaining with an array of statistics on wages and hours, supplied by their own economic research departments. The result has generally been disastrous for the company whose case has been poorly prepared. Recently, however, management has shown a wholesome awareness of the contributions which economists can make to the individual business enterprise—ranging from supplying the raw materials for collective bargaining through innumerable other functions. As a result, industrial economists are coming into their own and are being hired by large and small companies to perform a multitude of valuable services. (More about this comparatively new profession on pages 261-262.)

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THE MANAGEMENT INDEX

General Management

A Program for Community Relations

SIMPLY defined, community relations includes all contacts between the firm and the community from which it obtains its labor supply. Community relations is a part of public relations—but only a part, since it deals specifically with that portion of the public which is resident in the company's community. Knowingly or not, probably every company in the United States engages in some form of community relations. The purpose of this discussion is merely to suggest ways of doing this work more effectively so that the greatest possible benefits may be obtained.

The suggested plan which follows is broken down into four general divisions: (1) paid space advertising in newspapers of the city where the plant is located; (2) news and feature stories for these papers prepared by the company's staff; (3) pamphlets and booklets written and published for distribution in the community; and (4) volunteer work by company representatives with civic groups.

1. *Local Newspaper Advertising.* Selling a company to its community is exactly parallel to selling a company's goods to its prospects. And, just as paid advertising space has long since proved its ability in selling goods, so it can be effectively used for selling the company.

"But paid space is so direct!" you'll say. Many persons still harbor the belief that a company should not speak to its community directly—that it sounds too much like crass commercialism.

Possibly this objection is valid when the company uses paid space *only* when it has an axe to grind. But for the company that uses paid space week in and week out to keep the community informed of company matters, this method is both dignified and effective.

It is always a good idea to let the community know as much as possible about the company itself—how it does business, the character of its management, the craftsmanship and production achievements of its workers, the company's financial condition, new developments, and prospects for future expansion.

The job of selling the company to its community is done by describing specific examples of what the company is doing for its employees, for the community, for the country, for industry, etc. It is well to mention the organization's support of hospitals, charity drives, and community welfare activities. A point should be made of the large share of the money received by the company which goes to the community in wages and taxes.

For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

X
Ads should tell how the firm treats its employees—the many employee benefits, recreational and sports programs, insurance arrangements, legal aids, health and safety plans, etc.

Community relations ads also can deal with products. No attempt should be made to sell them directly, but they are a means of showing the contribution the company is making toward American good living. During the war many companies did considerable talking about the part their equipment played in winning the war. There is no reason why similar themes can't be utilized to tell how they're helping to create a better peacetime world.

Before leaving the subject of ads, let's give a thought to the financial statement. There is usually enough meat in a financial statement to provide material for half a dozen ads. Such items as amounts paid out for wages and taxes in relation to the amounts paid to stockholders are of great interest.

2. *News and Feature Stories.* Careful attention should be devoted to the preparation of news and feature stories for the editorial columns of the local papers. True, you'll get a certain amount of space in your local newspapers without any effort on your part. But you can easily double or triple this amount of space by having a definite program and deliberately feeding items to the papers.

In larger companies, a special staff attached to the advertising or public relations department can handle this work. In smaller companies, a writer in the advertising department or some other person with a knack for news should be assigned the job.

It is just as important to know what not to tell the papers as it is to know what to give them. Many of the items will be the same as those covered in the paid advertising space. Of course,

it would be pretty difficult to get into print such an obvious publicity attempt as a story on the firm's insurance program unless it is new and unusual. But, as a rule, there are literally scores of short interesting items which can be written on employee activities, new records achieved, clever production ideas submitted to the suggestion box, etc.

Also, of course, new product stories often reflect the possibility of increased employment. And national honors won by the company are always worthy of local mention.

3. *Pamphlets and Booklets.* A third way to reach the members of a company's community is through the publication of pamphlets and booklets. It is not too far-fetched (especially where the town is not too large) for a company to mail appropriate pieces directly to every family in the community. In larger cities the booklets could be distributed by areas, directly to the homes, or through retail outlets.

The need for a larger labor force provides a company with an excellent opportunity to issue a pamphlet for community consumption. And, because the *purpose* of the booklet is to describe the advantages of working there, wide latitude can be taken in "building up" employee benefits. If the book is attractive and readable enough, it will be read by many citizens who are not looking for jobs, but who will in this way learn the company story.

Company anniversaries can also be made subjects for interesting pamphlets. A pictorial history of the company can have much that will interest the community, for often the company history closely parallels the history of the town in which it is located. Such booklets are appropriate for distribution to plant visitors and can be used profitably by the local chamber of commerce.

On this same score, a yearly open house, when the whole community is invited to visit the shops, often does a terrific community relations job.

4. *Civic Duties.* The idea of having company representatives participate in civic affairs is not particularly new or original. And yet, many companies today discourage having their officials "waste their time" serving on civic committees, participating in civic drives, or making speeches for civic undertakings.

No matter how much is done by the company to put into effect a good community relations program, it will not be effective unless the company's contributions to the community exist in fact rather than fiction. The value of advertising, newspaper stories, or pamphlets will be minimized if company representatives themselves say "no" to every request that they share in community affairs.

This feeling of civic responsibility should be encouraged among em-

ployees, from the bottom to the top. Management's attitude, of course, is all-important in determining how far employees participate in civic undertakings. Some companies have found it even worthwhile to give time off with pay for special civic work. Others help employees to prepare their speech material, and supply slide films, movies, or other presentation equipment.

Instead of having an employee do his civic duties on his own and with limited facilities, it seems to reflect favorably on the company itself if all possible assistance can be given him. It should be pretty clear, too, that a company whose employees have been getting around in civic circles will be given a better break when it comes to the distribution of civic benefits.

From *A Program for Community Relations*, by Walter Geist. Public Information Center, National Electrical Manufacturers Association, New York, N. Y.

Executive's Code

KEEP in mind that you are one of a team that directs a much larger team.

BE objective; avoid injecting personalities into problems.

DO not permit annoyance and irritation to show in your memoranda.

AVOID alibis; do not accuse your associates; cite facts only.

SHUN company gossip; let the facts speak for themselves.

GIVE sympathetic consideration to the problems of your associates; try to understand them; lend a hand if asked.

DO not run to higher authority with your problems; if you cannot solve them, propose a solution and ask for a decision.

REMEMBER that your actions affect others. Consult those who have an interest at stake; inform those who are entitled to know what action you have taken.

DON'T grumble; make a clear representation when necessary; take a clean defeat philosophically. There will be other decisions.

DON'T be two-faced. The second person will show up at an embarrassing moment. Guard yourself against irresponsible talk.

BE courteous but not obsequious; avoid flattery of your superior; make all necessary criticism tactfully.

AVOID jealousy of your associates; do not undermine them. Let the quality of your service be your spokesman.

TAKE a positive attitude toward problems. Look for reasons why things can be done rather than for reasons why they cannot.

IF you do not believe in your work, seek another post. Do not seek to break the morale of your associates.

—From *A Code of Executive Relations*, by O. R. Strackbein (Parker & Strackbein, New York)

They Look Ahead for Business

COMPARATIVELY new on the scene, taking no sides and having no preconceived notions, industrial economists are succeeding in taking the blinkers off business. What, specifically, do they do? What facts and figures do they gather? Perhaps that question is best answered by the typical items on the agenda of one large company's economist:

- 12-month purchasing department commodity price forecast
- Actuarial pension accrual study—new formula death benefits
- Monopoly investigation data
- Plant expansion—optimum time—site
- Electronic gadget sales forecast 1956
- Machinery depreciation—tax case argument
- Washington—government economists meeting
- Staff bulletin—business outlook
- Speech—free enterprise and the public debt
- Memorandum—effect population increase in higher age groups
- 5-year projection standard costs raw materials—manufacturing department
- Rate case—utilities commission; earnings study
- Contracts renegotiation—Washington
- Statement—effect British \$3,750,000,000 loan—investment—money market
- Federal Trade Commission ruling analysis
- Book—Keynes' theory vanishing investment opportunities. Review for V.P.

This is a fairly typical list of a big company industrial economist's duties. But these will vary, of course, from company to company, and from man to man. In any account of industrial economists one cannot generalize.

One economist, employed by a large drug manufacturer, describes his job in these terms: "Every company operates not only within a national economy but within a world society. It is vital to its operations that management be well informed about economic and political events, not only within the nation, but also in the world at large. It is my job to bring the impact of such

events to the attention of the officers of the company." This does not mean that he will predict the market for individual products next month. (The sales department will do that.) Rather he will follow major legislative developments as they affect the course of business.

The economist for a banking house, however, is swimming in very different waters. One says: "My function is to watch money—to observe the trends as reflected by deposits, reserves, gold inflow and out-flow to and from the United States." His basic routine includes the preparation of three memoranda a week for senior officers and branch managers, containing a discussion of monetary developments; an analysis of business news; an outlook forecast; and an analysis of three or four commodity trends. If wheat, for instance, is "doing things," this economist's memorandum will give the picture. The bank's lending officers in charge of milling accounts will then know where they stand.

Even the labor unions have economists on their staffs nowadays, and many a company executive will tell you the result is that unions often have better and more complete facts on wages and hours than management does. Over 50 unions now maintain economic research departments, with chief economists being paid up to \$8,000 a year.

Their job is to give the union president and general executive board the facts and figures needed to shape the policies and activities of the union in the period between conventions. If a union case goes to arbitration, the economist must have the raw material for the necessary arguments.

That the union economists are effective is shown by the results of their

work. Daniel J. Tobin remarked once that one union's economic research department was responsible for a favorable arbitration award, in a certain drivers' strike, which resulted in a wage increase to 60,000 members of about \$21,000,000 a year.

A New York insurance company has an economist whose main function is the development of investment outlets. A mercantile agency uses its senior economist as an adviser on government-business relations. One international oil company has a special economic expert to deal solely with foreign exchange problems.

While industrial economists are usually primarily concerned with business trends as they affect their companies, they are assuming an increasingly important role in guiding and helping business to discharge its social responsibilities. As a group of them stated publicly recently: "Companies today must think in terms of the general working of our economic system and the relationship of the policies they make to the general level of production and employment. This means that the managers must have the service of experts in economic analysis, to help them acquire a deepened understanding of how the economic system works, and of how their own decisions affect the general welfare."

The industrial economists haven't been at this very long. But that is chiefly because theirs is a comparatively

new profession. It is said that 15 years ago there weren't 12 company-hired economists in the United States. Then business men began running into them in Washington—in all the government bureaus—and soon were thinking: "Maybe I need one too!" Now there are whole departments of them with supporting staffs—as Western Electric's 12, Mutual Life's 16, Standard Oil of New Jersey's 53. That the big companies think highly of them is indicated by the salary ranges. One automotive firm, for instance, is reported to pay its economist \$75,000 a year.

It is a common misconception that all industrial economists are former college professors. Many came up from the ranks through business itself. A surprising number have had editorial, publishing, and writing experience. Men of such backgrounds are to be found in the biggest corporations—Dun & Bradstreet, National City Bank, Mutual Life Insurance Co. of New York, to name only a few.

Another unfounded belief is that the company-hired economist is usually more *hired* than *economist*—that is, that he is a bias justifier, a paid plugger of his employer's ideas. Nothing could be further from the truth. Obviously, once he loses complete freedom of expression, an economist ceases to be useful to any employer.

By C. LESTER WALKER. *Nation's Business*, April, 1946, p. 41:4.

• NO SMART EXECUTIVE is a worshiper of committees. As Gardner Cowles, Jr., says: "The committee is to the executive world what the WPA was to the depression. It doesn't get any work done, but it keeps a lot of people occupied."

—*Net Results* (H. A. Hopf and Co.) 6/46

The Cost of Labor's Featherbeds

WHILE the American public views various types of work stoppages with anxiety, it tends to overlook subtler forms of manpower wastage that take a greater toll of our productive capacity than do all the strikes and walkouts combined. These are the featherbedding or make-work tactics designed to make jobs last.

Most progressive unions have made an honest effort to prevent or uproot such practices. Featherbedding is *not* a general labor practice, but it still flourishes in a number of important industries, most often in those organized by old-line, tightly knit craft unions. These abuses seem to stand out most strongly in the building trades unions (AFL), the entertainment unions (AFL), the teamsters (AFL), and the railroad brotherhoods (independent). In the CIO, they are found in the auto and rubber industries.

Did you ever wonder why more houses are not built like cars in great permanent plants, or why they are not painted like autos by sprayer, instead of by hand with small brushes (usually under 4½ inches)? Or did you ever wonder why a union hod carrier may still mix concrete laboriously by hand, when with a truck mixer or with ready-mix he could save a great deal of time?

If you don't know the answers, you are unfamiliar with the ways of building trades unions. These unions are imbued with the old brick-and-mortar, craftsman philosophy of doing things by hand, because that's the way they've been done in the past and because the little King Canutes with trowels are making a sizable contribution toward holding back prefabrication of homes and many other new techniques for building more efficiently.

Most of the big contractors share this hostility to progressive building techniques and encourage the unions in their obstructive tactics. What if the old-fashioned methods do keep prices high? The contractors pass the cost on to the consumer.

United States economists agree that the building industry now has the greatest potentialities of all our industries for expansion, and for touching off a boom in the building and allied fields that will give us a great period of prosperity.

What are those other fields? First, of course, are the building material fields: steel, copper, zinc, plastics, cement, lumber, glass, insulation, plywood, electric supplies. They all need a building boom in order to prosper.

But even more important are the industries which would supply the goods needed by the occupants of new homes: washing machines, stoves, refrigerators, rugs, draperies, furniture, radios, lawn mowers, automobiles, telephones, even mousetraps. The restrictive rules in the building trades form a bottleneck through which all these industries must squeeze if they are really to prosper.

What are some of these restrictive rules? Prefabricated plaster walls are outlawed by the unions in some areas, and in some instances there are limitations on the use that can be made of wallboards. On a union job in New York the moldings for walls must be hand-run by the plasterers right on the wall. Factory-made stock models are banned. In New York, the steel for reinforcement in concrete walls must be twisted by hand as it is installed, not pre-bent by machines back at the shop.

Plumbing is another place where the unions are fond of hand methods. In a great many cities all pipe must be cut,

threaded, and measured right on the job—not back in the plant, where it could be done more swiftly and economically. In many areas plumbers refuse to install pre-assembled bathroom fixtures.

In laying concrete it is possible to speed up the work by using quick-setting material. But in Boston the union men demand 12½ cents an hour extra when any such timesaver is used.

The American railroads are staggering under even stiffer make-work rules than the building industry. These rail brotherhoods have devised a multitude of make-work rules. The main device is to define a fair day's work as traveling 100 miles a day for freight trainmen and 150 miles a day for passenger trainmen. That was a fair day's work at the turn of the century when the rule was made. But on the streamliners today trains cover 150 miles in a couple of hours.

Almost everyone is familiar with the spectacular make-work tactics of the American Federation of Musicians (AFL). There is an obvious economic reason why musicians are among America's most flagrant featherbedders. Their jobs are among the most insecure. The market for their talents—which took them years to develop—is fickle, and modern science has developed the phonograph and radio and juke box. Actually those devices, in the long run, will certainly increase employment opportunities for musicians by bringing music within listening range of more Americans and thus cultivating an ever wider taste for musical performances. But a musician can only see that he would have more work if people had to come and pay to hear him, in person.

Similarly, building-trade workmen have long felt insecure. Their work is irregular and seasonal and is ostensibly

threatened by mass-production techniques. On the railroads the featherbed rules became entrenched when the railroads were losing ground to other means of transport and travel. The unions made their rules to keep workmen from losing their jobs and sinking into unemployment. But their very tactics raised costs so much that the railroads lost even more ground.

In all three of these cases—building trades, entertainment, and railroads—the underlying cause of featherbedding is the fear of unemployment. While groping for some justification for stretching out the available work, labor leaders have adopted the "lump of labor" line of thinking. This reasons that there is only so much work to be done, so the longer you can make it last, the longer you will have a job.

The theory would be valid if demand were constant, regardless of price. It assumes, for example, that a given number of Americans will be buying six-room cottages regardless of whether the price is \$5,000 or \$15,000. Obviously, this is dangerous moonshine, but a large segment of labor clings to its theory.

Actually, great progress can be made against featherbedding only when we attack the underlying cause of it—the fear of unemployment. Adequate unemployment compensation can wipe out some of these fears, especially the fears of people whose work is irregular or who are threatened with temporary unemployment because of technological improvements. But full employment in America is the best answer. If everyone is assured of a job there will be no reason to try to hold back in order to spread a job out.

Meanwhile, the big objective should be to get the subject of restrictions on output out on the bargaining table where the curbs can be examined and

discussed. In return for wage or other concessions being asked by a union, the employer can ask for the elimination of make-work tactics by his labor force.

This was done with great success in the ladies' garment industry. The unions abandoned their restrictive rules in exchange for better pay and greater

job security. Both sides are satisfied that they are benefiting from the arrangement. Other union men might well be encouraged to follow their example.

BY MERLYN S. PITZELE. *The American Magazine*, March, 1946, p. 48:5.

The Board of Directors—Duties and Responsibilities

WHAT are the principal duties and responsibilities of directors? What are their qualifications? What are some of the important recent developments in corporate directorship? A survey was recently conducted by Harvard University to examine and clarify the functions of those who are entrusted with the welfare of American enterprise. Most significant conclusions drawn from the study are presented in the following paragraphs.

At the very outset it must be recognized that directors function in many different ways and yet produce outstanding results. No standard pattern need necessarily exist. Procedures are dictated by history, tradition, personalities, problems, products manufactured, sales methods, and industry, more than by preconceived standards.

Certain fundamental premises which have been generally accepted by the directors and executives interviewed and which are a part of the environment in which directors function are not elaborated on here. It is important for the sake of clarity, however, to state these accepted points explicitly: (1) Although directors are elected by stockholders, they are responsible for the welfare of the entire enterprise in a very broad sense; their responsibility is far greater than that of merely securing dividends for stock-

holders or safeguarding the interests of any special group of stockholders.

(2) The aim of corporate management, and the main test of its success, is profit—profit considered in the broadest sense with due regard to public interest. (3) The concept of top management includes both directors and executives.

Despite the wide variations in practice, the following points are believed to outline the basic functions of an effective board of directors in discharging its responsibility for prudent management of the whole enterprise:

1. The board selects the chief executive and senior officers and makes certain that able, young executives are being developed. Also the board controls executive compensation and pension and retirement policies.
2. The board delegates to the chief executive and his subordinate executives authority for administrative action.
3. The board discusses and approves objectives and policies of broad corporate significance, such as pricing, labor relations, expansion, and new products, as well as payment of dividends, changes in capital structure, loans, lines of credit, and public relations.
4. The board checks on the progress of the company not only as reflected in immediate profits but also as it represents the discharge of its trusteeship responsibilities. Budgets, reports, inspections, and other controls aid directors in carrying out this function. They serve as the basis for the director's most effective approach, which is to ask discerning questions from an independent outside point of view. Also,

directors arrange for, control, and follow outside audits, and in general maintain vigilance for the welfare of the whole enterprise.

During the course of the study certain criticisms of directors—which the author neither endorses nor refutes—were encountered. These follow:

Directors are complacent and not deeply concerned over their responsibilities; they lack a profound interest in corporate welfare. They are "stuffed shirts."

Directors, irrespective of whether they are executives or non-executives, are not independent; they often fail to have the stockholders' point of view. They are "rubber stamps."

The selection and election of directors are not controlled by stockholders but by executive officers. The president may be reelected by men whom he placed in office.

Executive-directors are more interested in "back-scratching" and "log-rolling" for individual projects than in the welfare of the company as a whole.

Many directors give too little time to their duties and even fail to attend meetings regularly or to meet their most perfunctory obligations.

Directors do not know what their duties are. "They are mainly facade or window dressing."

Directors often take a narrow view of their responsibilities and neglect completely stockholders whom they are supposed to represent. Directors own no stock, or too few shares to be interested as stockholders.

Directors act on problems about which they have too little knowledge.

The directorate is just a place where management can "promote" superannuated officers. Directors do not retire when their usefulness is over.

Directors frequently make decisions in which they are personally interested. This permits self-dealing and creates a conflict of personal interests with their responsibilities to stockholders.

Directors are recruited for the most part from a small group of influential individuals; certain directors are on a large number of directorates. They therefore tend to represent this group of persons and their thinking rather than the stockholders or the public. They are "members of an exclusive club who conform to a social pattern."

Many directors know well the operations of a specific company, and are motivated by what they can "get out" of their position rather than by a desire to serve all stockholders and society effectively.

The motivation of directors has never been clearly explained or understood.

Outside (non-executive) directors permit the establishment of groups of interlocking directors.

Directors and officers are insiders and form a self-perpetuating management group. They have great economic power, and stockholders and society have too little control over them.

It is apparent from much testimony and evidence that in some companies the duties of directors are recognized as being vastly different from what they were considered to be in the 1920's. Frequently it was reported that formerly it had been considered bad taste to discuss such problems as individual executive salaries, current earnings, proposals for the purchase of companies, and other expansion plans. Executives had defended this attitude because they feared leaks of confidential information. Much of the secrecy and lack of frankness between executives and directors has been dispelled; generally questions of importance are now brought to the directors for discussion.

Some important developments that have appeared are as follows:

1. During the last decade, many directors have begun to recognize more clearly their direct and implied liabilities.
2. For the first time in the experience of many business men, companies find it difficult to secure able men as directors and competent men are resigning from boards. The supply is further narrowed by the policies of a number of companies, even some with "outside" directors themselves, which do not let their own executives serve on boards of other companies.
3. Because of their liabilities, certain directors have started to think in terms of the question, "Is this a safe step for me to approve?" rather than, "Will this help the company to progress and succeed?"
4. Directors are more concerned over what their proper responsibilities are, and many companies are now defining them.
5. They are attending meetings more regularly and devoting more time to fulfilling their responsibilities.

6. They are considering ways of improving directorates.
7. Salaries for directors are being advocated by some executives, directors, and others.

Directors need leadership to become most effective as a board in meeting their responsibility for management. To provide this leadership is the function of the board chairman, whether he is the chief executive or a separate officer. If the chief executive carries the dual responsibility for administration and for critically checking results, or if separate officers lead the board and the executive organization, the position of chairman presents a real challenge in organization and human relations. The chairman can meet the challenge through:

1. Bringing before the board questions where conflicts of interest might occur, such as those regarding salary payments, pension plans, determination of dividends, review of independent audit reports, complaints of stockholders, and other problems emphasizing trusteeship.
2. Supervising the selection and election of directors and executives and passing on skills and experience in management.
3. Guiding attention to the policy questions emerging from executives' operating decisions.
4. Proposing sound standards for board procedures.

5. Drawing from directors their maximum contribution by arranging for consultation and by opening appropriate questions for board discussion and action.
6. Preparing agenda that will bring regularly before the board questions and information for appropriate action.

Effective directorship requires adaptation to changes in social and economic trends as well as to changes in the company itself. To assume that responsibilities of directors have remained the same as they were two decades ago, or that they have decreased, is to ignore the history and the economic development of this country. If there ever was any doubt about the importance of directors or the latent possibilities of their contributions to corporate and social welfare, it should have been dispelled by events occurring during the last decade. Directors are one of the important keys to the solution of the present-day social and economic problems, and it is no exaggeration to state that national welfare, even political security and liberty, may well depend on some of their decisions concerning such matters as products, expansion, and employment.

BY JOHN CALHOUN BAKER. *Dun's Review*, February, 1946, p. 11:9.

90 Per Cent Never Become Law

WELL over 7,000 bills and joint resolutions have turned up in the Seventy-ninth Congress, but less than 10 per cent have passed.

It's probably just as well.

House Bill 1996, for example, would prohibit unauthorized importation into, or depositing in the territorial waters of, the United States of garbage derived from products originating outside the United States.

Senate Bill 1107 would require at least 10 per cent of the players of each major league baseball team to be persons who have lost one or more limbs.

A good part of the time Congressmen spend being legislators is given to taking care of "private bills." Of the 658 laws passed last year, for instance, 365 were private. As their name would imply, such bills pertain to matters that do not affect the interests of the general public, but rather those of individuals. One typical bill, for example, proposed that a certain individual who was in danger of deportation be permitted to remain in the United States.

One reason that such a small percentage of bills introduced are passed is that many duplicating bills are introduced on important topics. There are handfuls of bills on labor, for example, and on veterans' benefits, social security, and fair employment practices.

—FRANK BOURGHOLTZER in *The Wall Street Journal* 2/18/46

Office Management

Bonus Plans for Dictation Machine Operators

ANY odium still attached to bonus plans for office workers is due in major part to popular misconceptions about them—and these, fortunately, are disappearing fast. There is no reason, however, why bonuses should not be *entirely* acceptable to, even popular with, office workers.

The gains to the workers include, in addition to the obvious and most important factor of increased earnings, such less obvious benefits as equalization of working conditions (removing a frequent cause of friction); relief from the pressure of supervisory concern over production; and greater job satisfaction in seeing extra effort and ability promptly rewarded. Management, in turn, benefits from the lowered operating costs resulting from increased production, as well as from the improved income status of the employee. Higher income jobs draw and hold more responsible, better educated, workers.

Among office jobs affording possibilities for incentive applications, dictation machine transcribing offers a fruitful field because of the standardized, repetitive nature of the work.

Installation of a bonus plan for dictation machine operators should be preceded by studies of existing averages over a considerable period of time and investigation of similar plans in other offices, as well as conferences among comptroller, office manager, and transcribing department supervisor to determine and agree upon standards and objectives.

When a bonus plan is first contemplated,

the supervisor of the transcribing department usually has four major questions. She wants to know:

1. *Won't a bonus plan affect morale? Don't operators resent having to work harder for the same income?*

This is popular misconception number one. It presupposes that the employer is going to cut salaries to a nominal figure—substituting a bonus for the difference. There is no reason why this should be done. The bonus will pay for itself, even if superimposed on existing salary scales. By way of illustration, assume that a unit of four dictation machine operators transcribe an average of 700 lines per day. After the installation of a bonus plan, the total production is increased by an average of 150 lines per day per operator—an altogether reasonable expectation. On a bonus basis of, say, one-half cent per line for every line transcribed over and above the former average of 700 lines, the output and bonus of each operator might result in something like the following:

	New Average*	Required Average*	Bonus Paid on*	At ½¢
Operator 1...	750	700	50	\$.25
Operator 2...	900	700	200	1.00
Operator 3...	800	700	100	.50
Operator 4...	950	700	250	1.25

* Figures refer to number of lines transcribed.

As a direct consequence of the bonus, then, the total production of the four operators has increased by 600 lines per day—the approximate output of one additional operator, obtained at a cost much lower than would have been involved in hiring a new operator.

The amount of bonus and required linage before bonus can be adjusted

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upward or downward at the discretion of the individual company to yield more or, if desired, less than this amount in savings, but best results are obtained when the company and the employee share equally in the monetary benefits resulting from the increased production.

2. Doesn't the quality of work suffer as a result of the speed-up?

The answer to this question depends upon the standards the company has maintained toward quality of work. Employees do not easily lose their good work habits, especially if the company itself has consistently maintained high quality standards. The need for accuracy and care should be emphasized at the time when the bonus plan is installed and should be stressed during the training period for new employees. Recourse to frequent reminders, spot-checks, and occasional "inspirational" talks may be necessary in individual cases.

To strengthen the initial advantage of good training—particularly in companies where high quality has not been attained prior to the installation of a bonus, or where it is felt that the bonus might cause a lapse—the system can be installed with a condition, namely, that only operators whose work is up to standard shall be eligible to the bonus. There will always be a few whose quality of work and immediate production entitle them to a bonus at once—entitle them, in effect, to more money without extra effort. These employees will enthusiastically advocate the bonus plan, causing others to fall in line. The supervisor may well find that this group tends to pull up the standard of the whole department.

3. How can work be distributed fairly so that all have an equal opportunity to make a bonus when the dictation of some men is more difficult

than that of others and must be confined to operators experienced in handling it?

First, it is important to eliminate all obvious sources of inequity. For example, employees should not be permitted to choose work from a central rack at their own discretion. The work should be distributed on an impersonal basis by the supervisor or by an assistant who will be above favoritism. Then, the problem can be approached in one of two ways:

1. Grade work according to skill required, confining dictation falling within those grades to operators best able to handle it, and paying a graduated bonus proportionate to the skill required. If desirable, the same principle of graduated skill might be worked out on a salary basis, leaving the bonus a uniform amount for all types of work.
2. Train all operators on all types of dictation. The greater flexibility inherent in this method has advantages for the supervisor. She is not handicapped by absenteeism, nor by bottlenecks resulting from unusually heavy dictation of a certain type which must be handled by a limited number of specially trained operators.

4. In case of insufficient quantity of work, don't operators have a real grievance if their income suffers as a result of circumstances over which they have no control?

The problem of idle time does not arise as frequently as is generally supposed. If it appears with regularity (disregarding seasonal conditions), it means the department is overstaffed. If there is only an occasional slump, the work distributor can see it coming and divert work accordingly. If necessary, ordinary typing or miscellaneous work can be assigned to trainees not yet eligible to bonus, in order to reserve cylinder dictation for bonus operators.

Finally, let us consider the intangible factor, morale, and the prospects for its maintenance or decline under a bonus

plan. Obviously, such a system gives the employee ample opportunity to demonstrate her efficiency, her judgment, and her dependability. It has the further beneficial effect on employee morale of eliminating a source of friction between workers and supervisor, because

the latter will not place undue pressure on workers if she has reason to believe that they are putting forth their best efforts.

By TRUSSELLE HARVEY. *Office Management and Equipment*, April, 1946, p. 37:4.

A Case History in Microfilming

MICROFILMING many kinds of records has become a permanent procedure at Wilson Foundry & Machine Company, Pontiac, Michigan. It was originally used to preserve war production records in perfect condition and in a form in which they would occupy the least possible space.

In Wilson's experience, probably the most notable advantage of microfilming records was this space-saving feature. With the company's rapid expansion, lack of adequate filing space had become an acute problem. As a result, many records were kept in filing boxes and stored on shelves in a vault. This made access to them awkward and inconvenient, and resulted in considerable deterioration and misfiling of records. Microfilm appeared to be the solution to the problem. The company leased a machine about a year ago and started one girl to work microfilming some of the records which occupied the largest office space. This proved so satisfactory that another recording machine was leased a few months later. These two recorders and one projector have been kept busy ever since.

The company has now microfilmed most of its war work records and some of its peacetime business records, as well. As soon as all its old records are on microfilm, one of the recording machines will be returned, but the other will be kept indefinitely. There

probably won't be enough work to keep it busy all the time, but apparently the advantages of such record-keeping amply justify the comparatively small expense entailed.

To illustrate how much filing space can be saved by this method, let us compare an ordinary file cabinet with a package containing 100 feet of microfilm. The file cabinet, 12 by 24 inches, holds approximately 3,000 time and labor record cards. The 100 feet of microfilm occupies a cardboard package, 4 by 4 inches, and holds approximately 4,000 of the same records. The filing box is 10 inches deep, while the microfilm package is about an inch thick. The proper comparison, therefore, is 2,880 cubic inches to 16 cubic inches. And the smaller container holds one-third more records.

It is reported that one standard, four-drawer file will hold the microfilmed contents of 121 such files. Space economy is a major consideration, of course, but there are others. There's permanence, for example. A certain amount of dust is bound to infiltrate such filing equipment. Records become soiled and dog-eared or wrinkled from handling. Many of the papers are stapled together, and staples rust in time. They are inconvenient to reach. Records may be pulled, then misplaced when returned to the file. Some may be damaged in the same way.

Microfilm will last, and remain in perfect condition, almost indefinitely. It is convenient to refer to. Items are permanently recorded in proper sequence and cannot be misfiled. If necessary, additional prints can be obtained.

The equipment Wilson Foundry uses is simple to operate. The recorder is completely automatic and incorporates a number of safety features. It can record 3,000 or more records per hour. Microfilmed prints are run through a projector which serves both as a reader and a reproducer, and records are viewed in their original size on a ground-glass screen, 14 by 15½ inches.

After being photographed, original records drop into a discharge hopper. They are held until the film is developed and checked, then are destroyed.

When Wilson first installed microfilm equipment, its most bulky records, those containing time and labor data, were tackled first. There were thousands of records for each pay period—and many pay periods had rolled around since the company first entered war production, in 1940!

These records were taken in order and each file was first checked and arranged in sequence by pay periods and by clock numbers, to make certain that the microfilmed records would be in proper sequence. One girl handled this alone until the management became convinced the company would be benefited by leasing another recording machine. It did so in the summer of 1945 and the experienced girl trained another to take over her work while she undertook to microfilm other records on the second machine.

Many of these records were stapled together. A third girl was brought in to remove staples and sort the records in proper sequence. This girl also

served as a relief telephone operator. The first girl has also been assigned some part-time duties.

When the second machine was installed, the operator first microfilmed the earnings record cards for both salaried and hourly-rate employees from 1940 through 1944. These cards had to be put through twice, since they are posted on both sides.

She next microfilmed clock cards for a recent period, did a special microfilming job of a confidential nature, then microfilmed accounts payable invoices covering several years' transactions.

Such invoices are arranged alphabetically by vendors. Before microfilming, the operator letters the vendor's name on a sheet of paper and puts it through first, so the name will show up prominently on the film at the beginning of that vendor's invoices. Although invoices are on paper of various sizes and colors, there is no difficulty in microfilming them. A receiving report is clipped to each invoice, and occasionally other pertinent papers are also attached. These records run through the machine in regular order, so that everything on paper will also be on the film.

Other records which the management plans to microfilm include hourly rate employees' clock cards, store's ledger cards, and checks. By the time these have been completed, there will doubtless be others—or it will be time to bring records previously microfilmed up to date.

Microfilm records are acceptable in court in most states and in federal courts. The company already has had two test cases in court in which such records proved of inestimable value.

American Business, May, 1946, p. 28:2.

Personnel

Basic Economics for Supervisors

IN JULY, 1944, the Minneapolis-Honeywell Regulator Company inaugurated a program which represented an experiment in supervisory education. This program consisted of a series of discussions, carefully developed and completely integrated, on how our private enterprise business system actually works. In the simplest and most elementary terms, the discussions covered various aspects of production and consumption, wages and profits, money and credit, and explained how these elements make up the business system under which we live. The reception of this program by members of the supervisory staff, and their growing response to it as discussions continued, exceeded all hopes.

The company, in common with most progressive concerns, has always aimed at maintaining high production and quality standards, while keeping costs at a minimum. This involves, among other things, the securing of better supervisory cooperation with, and effectuation of, the policies and programs of top management, and the stimulation of an increased interest in, and knowledge of, the job to be done.

It was felt that there was a real need on the part of middle management for more knowledge of the factors that make for progress in business, as well as a broader understanding of the problems of those who manage business and of those who supply funds to create business and jobs.

Therefore, in order to provide a detailed knowledge of those fundamentals upon which all business enterprise

rests, to develop fully the identity of interests existing between men, capital, and management, and to demonstrate the need for good management, a series of meetings was planned, in which the subjects outlined in the following paragraphs were studied.

The opening discussion dealt with the historical development of our private enterprise system—detailing how, in the early days, each man secured his own food and clothing from the fields and forests; how men began to specialize in their work and exchange their goods; how, gradually, they began to use power-driven machinery and improved tools to step up production and lower costs; how the factory system and mass production came into existence; and finally how, through this process, the work of every individual has become dependent upon his intelligent cooperation with others. This discussion is designed to depict the broad development of our way of life and to present a few basic facts on man's method of earning his living under present-day conditions.

How do wages and profits come out of the private enterprise system? What is the true nature of wages and profits? What is the justification for both wages and profits, and what are their limitations, if any? Since money is not wealth, but a means by which we transfer wealth, can real wages and real profits be identified and counted in terms of dollars? This discussion serves to establish the fact that true wages and profits do not come from anyone's bank account, but from pro-

duction, and that any restriction on production ultimately is a restriction on both wages and profits. It also establishes the absolute necessity of profit if the business is to serve the welfare of the employees on a permanent basis.

Where does the money, which we use daily to make the exchange of wealth quick and easy, originate? What are the basic principles of our money system, and how is our money system managed?

What is the purpose, function, and importance of credit in our business system? Is credit a necessary supplement to money in the exchange of wealth? What is its effect upon business and upon our jobs? What are the illegitimate, as well as the legitimate, uses of credit? Money and credit constitute such an important part in our way of doing business that no realistic understanding of our over-all system would be possible without including such discussions.

After considering these several separate aspects of our business system, it was necessary to tie them together and to show their interrelationships in order to develop a balanced picture. In these conferences, three or four basic concepts were nailed down.

For example, the investor is entitled to the protection of his capital, and a return thereon; profit, so important to the employee himself, is constantly being driven by competition to the vanishing point, and cost reduction and improved efficiency are necessary to maintain adequate profit margins; small changes in the volume of business or in the price structure cause very significant changes in the profit picture, which fact, of course, explains management's concern over price and volume changes which may appear small and unimportant to the average employee. Our free enterprise system gives every man

the privilege of working where he wants to work, doing what he wants to do, spending his income the way he wants to spend it. In short, it represents economic freedom; and in exchange, each man is responsible for co-operating with, and promoting, the system which provides such freedom.

Following these discussions of basic business principles, additional meetings were held in order to make specific application to the company itself of the material thus far considered. To this end, information based on company balance sheets and statements of profit and loss covering a period of years was organized; graphs, charts, and diagrams were employed, and the blackboard was used to bring the many aspects of the subject within the area of quick and easy comprehension. The purpose was, first, to illustrate the principles previously discussed and, second, to provide interesting information and facts on company operations.

The final discussion dealt with the future possibilities of the business system generally, and of the company in particular, assuming complete cooperation and mutual understanding between men and management.

Participants talked about and evaluated some of the proposals for improving our business system—i.e., for establishing a high and permanent level of employment and business activity. This proved to be one of the most stimulating of all the discussions because of the general concern about the future.

Meetings, held once a week with each group on company time, were confined to one hour in length. While it was necessary to use the lecture method to a considerable extent for the presentation of material, every opportunity was taken to encourage discussion. Excellent participation was consistently secured.

At the start the program covered about 50 older supervisors, including superintendents and general foremen. Their response was so gratifying that the program was extended to include all foremen, assistant foremen, and group leaders, together with key members of the engineering, personnel, and accounting departments.

Because of the success of this effort, the company is now conducting with its supervisors a further series of discussions, similarly simplified in content and presentation, on business organization and management. These lectures cover the purposes and objectives of a business organization; the supervisor's relationship to these objectives; the principles or elements of sound organization through which the business achieves its objectives; the rules governing procedure within a soundly operated company; the purpose and func-

tion of top management; business policy, its formulation and application down through the organization; standard practices and procedures and their relationship to policy and to company objectives; the basic elements of efficiency, with emphasis on the effect of changes in the rate of efficiency on the unit cost of the average instrument produced by the company and the effect of these changes on the company's earnings over the typical accounting period of one year.

In all discussions—whether on basic economies or business organization—no opportunity is overlooked to stress the mutuality of interest existing between all who contribute to the success of the enterprise.

By CHARLES W. DREW. *Executives Service Bulletin* (Metropolitan Life Insurance Company), March, 1946, p. 7:2.

Tuition Paid

TO encourage staff members to secure technical college educations in night school, which will serve to upgrade them in their work, Hagan Corporation, Pittsburgh, and its subsidiaries, Hall Laboratories and Calgon, Inc., will pay half the tuition and fees for any course which the individual enters and, on attainment of a degree, will pay the other half.

The plan is in recognition of the fact that many technical staff members already have given years to night school courses at their own expense, and that the companies stand to gain from a broadening of horizons provided through college or university courses in chemistry, engineering, or other subjects. Hagan Corporation specializes in manufacturing apparatus for combustion control of industrial boilers and furnaces.

—*Dun's Review* 3/46

Gives Novel Awards for Suggestions

A NEW and unusual plan for suggestion awards has been inaugurated by the American Viscose Corporation. All employees in plants where the "American Viscose Proposal Plan" has been installed are eligible, except supervisors and executives. In addition to a monetary award, the successful suggester receives an award pin as follows:

- Gold pin for awards totaling \$50
- Gold pin with two rubies for awards totaling \$500
- Gold pin with one diamond for awards totaling \$2,500.

Where savings can be calculated, the award is based on the savings to the company for one year from date of installation, and is computed at either 10 per cent of the net amount, which is defined as savings less installation costs, or up to 5 per cent of the gross amount, whichever is the larger.

—*The Conference Board Management Record* 4/46

Incentive Bonus for Supervisors

FOR more than 15 years, one company in the automotive industry has been operating an incentive bonus plan for its foremen and certain other supervisory and non-supervisory employees in which premiums are based on over-all plant performance.

In recent years, these premiums have been averaging approximately 25 per cent of base salaries. They are computed and paid once a month. Main features of the plan follow:

I. Annual Bonus Fund—A fund is set aside by the management each year which is judged to be a reasonable and fair reward for the meeting of established standards for volume, costs, and scrap. Size of the fund is influenced by general economic conditions and the management's desire to allow those participating an opportunity to earn bonuses averaging around 25 per cent of their base salaries.

II. Three Determining Factors—The three factors used in determining the amount of premium to be paid, with their respective weights, are:

Volume in tonnage. .25%

Cost reduction based
on budgets25%

Scrap—local and ma-
chine shop50%

Each factor is independent of the other, and they are used in the following manner in the monthly computation and payment:

A. *Volume Factor*—When the tonnage produced equals the base or standard tonnage, the volume factor of

25% is applied to the month's share of the bonus fund. As the actual tonnage exceeds the standard, the factor of 25% increases in direct ratio until the tonnage is doubled. At that point, the factor would be 50%, or the maximum allowed. If the tonnage drops below the standard, the volume factor decreases proportionately until, at 25% of the standard, it is entirely wiped out.

B. *Cost Factor*—For each 1% reduction in costs below the standard or budget figure, the cost reduction factor is increased 5% until it reaches a maximum of 50%. This would represent a total reduction of 5% from standard. If actual costs exceed the standard, the cost factor is reduced at a more rapid rate and is wiped out entirely when the excess reaches 2%.

C. *Scrap Factor*—The scrap factor is 50% when scrap equals 11%—the percentage allowance set as the standard or base. It is entirely wiped out if this allowance is exceeded but increases in accordance with the following schedule as the scrap percentage is cut down:

At 11%, the scrap
factor is 50%

At 8.8%, the scrap
factor is 60%

At 6.6%, the scrap
factor is 70%

At 4.4%, the scrap
factor is 80%

At 2.2%, the scrap
factor is 90%

At 0.0%, the scrap
factor is 100%

III. Distribution of the Premium—

The monthly distribution of the premium earned is made in accordance with the number of points allocated to each partici-

pant in the plan. Allocation of these points is based on the participant's ability to contribute toward any or all of the factors considered, and increases in the number of points can be won through noteworthy individual performance.

Study No. 111, Automotive Council for War Production, Detroit, Mich.

Technical Violations of Labor Laws

UNINTENTIONAL violations of the provisions of the Fair Labor Standards Act and the Public Contracts Act may result in costly penalties to thousands of employers, according to a survey by *The Journal of Commerce*.

The extent to which employers are subject to suits by workers for the recovery of double the back wages due them is revealed in a report by Wage and Hour and Public Contracts Divisions of the Department of Labor. This report shows that, of 44,300 establishments inspected under both acts during the year ended June 30, 1945, no less than 32,800, or 74 per cent, were found in some violations, while 50 per cent were in violation of the minimum wage or overtime provisions. Despite the rise of wage rates during the war, more than one out of every four cases of monetary violations under the Fair Labor Standards Act involved failure on the part of employers to pay some of their workers the 40 cent per hour minimum wage required under the Act.

Other pitfalls for employers involved the failure to calculate overtime properly, employment of children under "oppressive" conditions, and failure to maintain proper records.

A common form of violation, into which employers unwittingly stumble, is the failure to include bonus payments made on a monthly basis in the employees' overtime rate. The U. S. Circuit Court of Appeals in New York has recently ruled that, even if the bonus payment involves no contractual arrangement, the fact that it was made regularly makes such payment constitute a part of the basic wage rate in computing overtime. The Wage and Hour Division has warned employers to "examine their employment arrangements in the light of this case" and, at the same time, has called attention to the ruling of the National Wage Stabilization Board that regularly paid bonuses cannot be dropped without Board approval.

—*The Journal of Commerce* 4/17/46

• TOMLINSON OF HIGH POINT, High Point, N. C., has devised a unique recreation plan by which employee outings are given by foremen for workers in all departments. At a recent fish-fry picnic more than 1,200 persons, including workers, their families, and friends, were the personal guests of the supervisors.

Though the company assumed the costs, the foremen took complete charge of planning the party. Results were so gratifying that the management intends to help foremen carry on similar activities, with a view to enhancing supervisor-worker relations.

"Wage" Relief for Executives

THE forgotten man in the inflation spiral—the higher-salaried man or company executive—is at last getting some attention, a recent survey by *The Wall Street Journal* in seven cities shows. While executive salary increases make a poor percentage-wise comparison with sharp income boosts received by most wage earners—particularly in view of the fact that salaried executives have been socked far harder by war-cost taxes than those in the lower income brackets—some firms are now seriously pondering the problem of wage relief for their executives.

Several Chicago firms report that practically all their over-\$5,000-a-year employees are getting the same as in 1941, though some have received increases of from 5 to 15 per cent. One large auto manufacturer has boosted white-collar personnel receiving \$350 per month by a flat \$17 since the war's end and granted a 5 per cent raise to those making from \$350 to \$500 monthly, but for its employees making over \$6,000 a year there have been no raises. General Motors gave a 10 per cent increase to salaried employees, effective November 1, 1945, and an additional 5 per cent, effective February 15, 1946—both increases applying in full to those getting up to \$20,000; from that point to \$40,000, the raise was limited to a flat \$2,000. Employees making over \$40,000—numbering about 100—received nothing from either increase. In Cleveland a general pattern is developing to grant approximately a flat \$50-a-month increase to those making \$5,000 a year or more. A large rubber company has granted 15 per cent increases to white-collar workers making up to \$7,500; above that, raises are on a merit basis, adjusted individually. A Los Angeles oil company—terming its case representative of the industry—gave raises totaling 18 per cent, effective January 1, to white-collar people earning up to \$400 a month; raises to those earning between \$400 and \$600 monthly averaged only about 9 per cent; increases to engineers and executives making more than \$600 monthly were only on individual merit. Another firm on March 1 gave salaried employees a 15 per cent raise up to the point where increases amounted to \$50 monthly. If the 15 per cent came to more than that, a flat \$50 increase was given. However, this applied only to employees making up to \$10,000 yearly, no increase being announced on salaries above that level.

A psychological factor that acts as a barrier to higher salaries now for top company executives lies in the belief of some companies that, in view of the general labor unrest and epidemic strikes, their bargaining position is weakened by granting earnings boosts to their executives.

Interesting recognition of the big bite taxes now take from the higher-salaried man's income is found in plans of the new World Bank and International Monetary Fund organizations to pay their executives on a net-earnings-after-taxes basis. A \$17,000-a-year executive director, for example, would pay taxes on his \$17,000 and then present his tax receipt to the bank and be reimbursed in the amount of the taxes.

—*The Wall Street Journal* 3/28/46

Work Stoppages in 1945

IN 1945 work stoppages resulting from disputes between employers and employees reached a total of 4,750, involving about 3½ million workers and resulting in 38 million man-days of idleness. The number of workers involved and their idleness were the largest in volume since 1919, following the end of World War I, lost time averaging 11 days per worker. Three-fourths of the year's total idleness occurred after V-J Day, with stoppages becoming bigger, longer, and more stubborn of solution. Forty-two stoppages were large-scale, including more than 10,000 workers each. A third of the stoppages were settled directly by the companies and the unions. Under the War Labor Disputes Act, the National Labor Relations Board conducted 1,445 strike ballots, with only 213 work stoppages resulting (4.5 per cent of the year's total).

—*Monthly Labor Review* 5/46

Production Management

Single or Multi-Story Plant?

IN present-day industrial building design, the decisive factor in determining whether to build a single- or multi-story plant is the processing method employed by the industry. The large, barn-like factory building, into which was later placed the machinery in whatever arrangement was found suitable for the space, is a thing of the past.

Today design gives primary consideration to the turning out of the product. To be sure, modern plants are blueprinted with an eye to outward appearance and with a broad use of new materials, but basically a plant is put up virtually around the machinery it houses.

With the fact in mind that there is no sound argument for or against single- or multi-story buildings as such, it will be helpful to discuss the reasoning behind the decision of a number of firms to build vertical or horizontal structures.

Usually when a company is forced to build in a thickly populated business or residential district, the cost and availability of land dictate whether to put up a multi-story structure or spread the building out, as a single story, over a large site.

Another factor had to be considered when designing the plant of the Maxwell House Division of General Foods Corporation, at Hoboken, N. J. Water-front property needed for docks was scarce, not entirely because of a thick settlement by industry, but because of the limited area available. Although this factor could have been a major element in the decision to build a multi-

story structure, dependence upon a gravity flow processing method had more to do with the decision to go up five floors.

According to experience gained thus far in postwar construction, to provide a reasonable quality in office buildings in connection with industrial construction costs a minimum of \$10 per square foot of gross area. On smaller structures the unit price will go up. For example, the cost for a factory with 190,000 square feet of floor space would be approximately \$4 per square foot, while the office space of 8,000 square feet would cost about \$10 per square foot.

For single-story factory buildings, the minimum cost—with quality given due consideration—is \$4 per square foot, depending, of course, on the locality. This unit price, which includes the work of installing such items as heating, plumbing, lighting, and sprinklers, but not the cost of the equipment, is based on an over-all average estimate. The cost per square foot to go up to three floors will be about \$4.40, or 10 per cent more than the cost of constructing the same plant space on one floor. To go up to six floors will cost \$5 per square foot—an increase of about 25 per cent.

Another factor in determining whether to put up single- or multi-story buildings is the column spacing. Building up prohibits, to a certain extent, the use of wide spans and involves additional expense for this reason.

For most warehouses the multi-story building is practical if elevators do not

too greatly complicate the flow of materials. Usually the need for long loading platforms makes it necessary to spread out the building over a large site.

In addition to machine layout considerations, such problems as the isolation of office space, and noise, and confusion often lead to a second-story or penthouse arrangement.

The foundation frequently is a factor in determining building height. Where piling must be driven, once the foundation work is laid it usually is more economical to build up over it rather than put in more piling in order to spread out. This has been the experience of some companies in Detroit and Chicago, where it was necessary to go through 90 feet of river silt to hit rock on which to base the foundation.

As a building increases in height the cost of all its parts does not go up in simple proportion. Extra cost factors that enter into the construction of taller buildings include:

1. The additional expense of steel, including windbracing.
2. The additional expense of elevators, larger pipe and tank sizes, power lines, and the like.
3. The loss of space resulting from an increased number of elevators and larger service shafts.

Handling of chemicals usually calls for a gravity flow process in order to eliminate pumps and forced feeding to vats. A plant built for Kaolin, Inc., at Spruce Pine, N. C., required a multi-story structure. Taking advantage of a site on the side of a long, sloping hill, the engineers planned the buildings to be stepped down the incline, so that a single-story served the purpose of a multi-story structure.

Visual control, particularly in chemical plants, is a consideration in connection with processing by gravity flow

and sometimes determines the number of floors in a plant. Evaporators are commonly so high that the ideal method is to pump the liquids to the top and then have them travel down by gravity flow. The chief objection to this method, which takes the process through several floors, is that the liquid cannot be watched after it leaves the top floor. Spillage may occur and will usually cause more damage when it is above other floors.

The necessity for traveling from floor to floor, when breakdowns of machinery occur, argues against multi-story construction. However, for the evaporator type of processing, which uses gravity flow, the multi-story structure has proved far more practical.

Single- and multi-story industrial buildings present quite dissimilar heating problems. For the floor space provided, a multi-story building is less expensive to heat, both from the installation and operating standpoints, because of the smaller exposed roof surface. Also, the piping job for a multi-story building is less costly because it is not necessary to have such long runs of steam mains.

The same factors apply also to air conditioning and, from the cost viewpoint, likewise favor the multi-story building.

In general, layouts are always given first consideration in the design and engineering of the building. While a modern industrial building is streamlined in appearance, it is primarily streamlined for production purposes. A decision to build horizontally or vertically seldom rests on mere preference in appearance, but usually can be traced to one or more of the factors discussed above.

BY W. G. SANDERS. *Factory Management and Maintenance*, April, 1946, Part 2, p. B-52:3.

Prescriptions for Better Inspection

NOW that competition is getting down to cases, no manufacturer can afford to risk the loss of customer good will by letting inferior products slip by, or to overlook new cost-cutting inspection ideas. The following are brief accounts of what some companies have done to improve their inspection systems.

To speed inspection, Pesco Products Co., hydraulic pump manufacturer, puts inspection stations near machines, removes decisions on borderline cases from the hands of down-the-line inspectors. The first step cuts handling and transportation costs; the second makes parts move along faster.

This is how Pesco's system works:

After each machine operation, or group of operations, parts are quickly moved to the "zone inspection station" located nearby. There, they're inspected immediately to determine whether they meet blueprint specifications. Good parts move rapidly to the next operation because zone inspectors do not have to make difficult decisions on borderline cases.

The latter go to the salvage inspector, a top-notch man who visits the salvage station in each zone at regular intervals and makes all decisions on whether parts are acceptable, or should be returned for rework, or must be scrapped. Because the salvage inspector makes his rounds frequently, parts to be reworked can go back into the same machine setup, don't require new setups or time-consuming hand work.

Pesco's system points up another new trend: Use of in-process inspection to catch troubles as they start, instead of hours, days, or weeks later—when hundreds of dollars worth of materials have been ruined, and parts that are already useless have undergone many additional operations.

Many companies are finding that

statistical control also reduces the extent of inspection required. With this method, samples are taken from each machine at regular intervals and their quality factors plotted on a chart. Because the chart's slope, or the direction in which the line is moving, indicates when quality is going off limits, trends away from standard can be corrected, and potential rejects are eliminated.

Once set up, statistical control takes less time than inspection of every part, and is often more accurate. In fact, engineers at Thompson Aircraft Products Company claim that inspecting every part may insure that all parts are examined, but it just won't catch 100 per cent of the errors.

Thompson made aircraft valves during the war. Each valve had a small tip welded to the end of the stem. Since the valve's over-all length had to be held within extremely close tolerances, off-limit tips could cause rejection of the finished valve, worth several dollars. Though tips were inspected 100 per cent after machining, numerous bad ones slipped through, and valve rejects piled up rapidly.

Finally, 100 per cent inspection was replaced by statistical control of the machines which made the tips. Valve rejects quickly dropped almost to zero; war production climbed. Also, several inspectors were released for other plant jobs.

Still another way to cut down inspection is to select parts and raw materials suppliers carefully. Products from a supplier whose own inspection system is adequate are far more dependable and require far fewer inspections than products from less careful manufacturers.

In addition, suppliers can make your inspection job easier. For example, White Motor Company asks foundries making its castings to pour a small

sample from each ladle for analysis by White's inspection department. In this way, it is possible to test casting materials without destroying the castings themselves.

To safeguard accuracy, inspection experts agree that gages should be turned in and checked at least once each shift and sometimes more often.

On one mass production job where gages were in constant use, Warner & Swasey Company catalogued every gage to find out how long it took to wear off limits. Each gage was picked up toward the end of its particular service period, whether or not the job was finished. Some gages had to be checked as often as once an hour.

But, even with careful checking, errors may creep in. That's why many companies are turning to automatic devices—air gages, mechanical selectors, and the like—to replace less efficient hand operations and cut down the unpredictable "human equation."

To prevent profit-shattering rejects, authorities are coming around to the view that inspections and working standards must be separated. In machining, for instance, operators should work to closer tolerances than inspectors. But this raises another problem: If machinists know inspection tolerances, they may be less careful in holding to their own.

Reliance Electric & Engineering Company uses an interesting method to avoid this difficulty. Inspection tolerances are indicated by a code letter placed on working blueprints. These tolerances, called "secondary tolerances," represent leeway which may be allowed. However, the quality-control group reserves the right, at any time, to hold parts to their primary, or machining, tolerances. And any parts passed on secondary tolerances must be reported in writing to foreman and di-

vision manager. Thus a second standard is available for use when necessary, but does not affect machinists' work and may be withdrawn if conditions change.

Exact differences between working and inspection standards must be decided for each job. There's no over-all rule. In general, wide separation of the two will hold rejects to a minimum. But, the closer the machining standards, the higher the machining costs. For this reason, the two factors must be weighed against each other.

On some machining jobs, operators can be held to plus or minus 0.002 in., inspectors to 0.005. On others, because tolerances stack up from one operation to the next, the difference between the two may have to be as much as 0.010.

To stop inspectors' errors, and inspection-created scrap, inspectors need thorough training in plant procedures. Improperly trained inspectors can actually "make their own scrap" by stamping wallboards on the wrong side, puncturing delicate diaphragms, or scratching plastic surfaces. And, because inspection is the last operation, this is the most expensive kind of scrap.

A continuing training program is also necessary to combat lowering of standards. Even the best inspector, faced with a long run of substandard material, tends to drop the bars a little.

To correct errors, after they're discovered, Pesco uses a simple but extremely effective form. It's a report sheet for errors and deviations which must be signed by both inspector and foreman. Once he signs the slip, the foreman can no longer evade responsibility or claim "I didn't know." Errors are corrected instead of forgotten, and the final result has been a reduction in scrap of almost 75 per cent.

Modern Industry, March 15, 1946, p. 34:6.

Marketing Management

Salesmen's Auto Expense Allowances

TWO major trends emerge from a recent Dartnell study of 487 companies' policies covering salesmen's automobile expense allowances: Flat mileage allowances have been raised an average of 20 to 25 per cent—or about one cent a mile; and company-owned fleets have become increasingly popular since 1940.

Several less definite trends also appeared in the survey, among them the tendency away from rental systems and an increasing popularity for systems of cumulative allowances which give the salesman, through one device or another, a lump-sum payment at the time he is preparing to buy a new car. Also of interest is the growing popularity of an arrangement which represents a cross between the sliding scale and the flat mileage allowance. Under these setups flat mileage rates are paid, but in sums dependent upon the amount of traveling a salesman does in a month, quarter, or year.

Increases in Mileage Allowances. The definite increase in mileage allowances is, of course, not unexpected. A general rise in costs, added to the increased repair bills resulting from driving five-year-old cars, made this upward adjustment almost inevitable. Among the 179 companies reporting use of flat mileage rates, five-ninths of the group said that they were paying salesmen five cents a mile, and seven-ninths of the group reported payments in a range between $4\frac{1}{2}$ and six cents.

It is noteworthy, too, that reporting firms show a tendency to make altera-

tions in these mileage rates by full cents rather than fractions, despite the fact that a change of one-half cent per mile may make a difference of several thousand dollars in a company's operating expenses for the year. This tendency is shown clearly by the following tables, which list the number of firms using each flat mileage rate reported:

Rate	Number	Rate	Number
$2\frac{1}{2}\text{¢}$	1	$5\frac{1}{2}\text{¢}$	2
3	2	6	29
$3\frac{1}{2}$	2	$6\frac{1}{2}$	1
4	17	7	9
$4\frac{1}{2}$	8	$7\frac{1}{2}$	1
5	102	8	5

Need for Increases. Thirty-seven per cent of the reporting companies are now using flat mileage rates, and agreement was fairly general among these respondents that upward adjustment was needed.

Variable Mileage Rates. Several companies reported they are planning to operate in the future on a variable rather than a flat mileage rate, as illustrated by the following comment by one manager:

As of July, 1940, we reduced our previous allowance of a flat five cents a mile to five cents for the first 500 miles driven each month, and four cents a mile for each mile in excess of 500. As of August, 1943, we increased this to six cents a mile for the first 500 miles and five cents a mile in excess. This rate is still in effect.

A treasurer of another company described a similar but more elaborate setup:

We paid five cents a mile as an allowance in 1940. This was changed January 1, 1944, to six cents a mile for the first

2,000 miles in any quarter-year, five cents a mile for the next 2,000 miles, four cents for the next 2,000, and three cents a mile for any mileage above 6,000 in a quarter-year.

In this way, anyone driving 8,000 miles or less a year would receive six cents a mile; if he drove 16,000 miles per year he would receive 5½ cents a mile; if he drove 24,000 miles he would receive five cents a mile, and if he drove 32,000 miles a year he would receive 4½ cents a mile.

Mileage Plus Depreciation. Perhaps the widest variations in scale of payment were noted among those subscribers who reported using a system under which the salesman was paid a low mileage rate plus a flat monthly sum. The comptroller of a midwestern insurance company described an arrangement fairly typical of this group:

At the present time we have approximately 350 men who operate their own cars, and we are adding to that number rapidly as our veterans return. Our present allowance is \$25 a month plus three cents a mile; prior to the war, this was 2½ cents a mile. We are considering changing this somewhat but have not yet reached any decision.

Among other systems of this type reported were payments of four cents a mile and 80 cents a day, two cents a mile and \$42.50 a month, three cents a mile and \$30 a month.

Flat Rate Payments. Equally varied were the reports from companies which pay on a flat daily, weekly, or monthly rate, within a range of \$15 to \$150 a month. Daily rates of \$1.75 to \$3.50 and weekly rates of \$15 to \$25 were also cited.

One firm reported that it has just abandoned daily payments in favor of a flat five cents a mile, and the majority seemed in agreement with another who said:

We are trying to eliminate any flat allowances we have been making in the past because the flat allowance is looked

upon by the Collector of Internal Revenue as part of salary, from which income tax, Social Security charges, etc., are deductible.

Straight Commission. Only a few companies reported that they were operating on a straight commission or salary basis which did not include separate expense accounts. One such plan was described as follows:

Ours is a compensation plan whereby we pay salesmen a flat amount each week. This amount covers salary and expenses. Each salesman is given a definite territory, and is paid a bonus for all sales above quota. No increase in drawing account is given unless a corresponding increase in quota is also made.

While costs of traveling have increased, sales have also increased, and our salesmen's total earnings have naturally increased. The men have earned good bonuses each year, and most of our men today are in the best financial position they have ever enjoyed.

Cumulative Allowance Provisions. Growing interest in the subject of expense control and increasing attention to it have resulted in one interesting new trend toward the use of a reserve fund for the salesman, built up out of his allowance and given to him in a lump sum at the time when he wishes to finance a new car.

One sales research director of a large distillery reported that his company pays a flat mileage rate, insurance against fire, theft, collision, liability, and property damage, and \$15 a month for depreciation allowance. This last sum is set aside for the salesman in a reserve fund and paid to him either when he buys a new car or leaves the company.

The Trend Toward Company Ownership. Although the overwhelming majority of reporting companies—nearly four-fifths—are operating with salesman-owned cars, managers' comments reflect a tendency toward company-owned fleets. Among com-

panies which already have such fleets, the trend is toward decreasing the annual mileage at which a salesman becomes eligible to operate a company car. Several said they plan to lower this limit from 20,000 to 10,000 miles.

This tendency toward company fleets has occurred despite the fact that most subscribers using them report substantial increases in operating costs. One organization with a fleet of 2,000 cars operating nationally said that its expense per mile has risen approximately 40 per cent since 1940.

Problems of Company Ownership. The assistant manager of a building material manufacturer made this comment on the company's policy, which has been in effect for a number of years:

We prefer to operate company cars where the man travels 10,000 miles or more per year. In our most recent survey, made around the middle of 1942, we found that the average total cost was 2.79 cents per mile. This total cost included everything—gas, oil, tires, full depreciation from trade-in to trade-in, insurance, license fees, interest charges on investment, storage, washing, parking lot charges, etc.

When a man travels between 5,000 and 10,000 miles a year we offer him the alternative of using a company car or driving his own with an allowance of

five cents a mile on company business. This arrangement is based on the theory that where the mileage per year is comparatively low it does not pay to supply a company car because depreciation and insurance mount up pretty high per mile.

Personal Use of Company Cars. Another question which arises in connection with company ownership of fleets concerns salesmen's personal use of the cars. Most subscribers use an honor system.

One respondent's company has an unusual solution to the problem:

We charge the men two cents a mile for personal use of company cars and take their word for the amount of personal mileage. This system keeps everyone happy in normal times, because we just about break even on the deal and the men are delighted at the idea that they are getting something for nothing.

Another reported a radically different approach. Its salesmen are charged \$30 a month for the use of company cars and the cars are depreciated at 50 per cent a year. At the end of two years they are traded in and their trade-in value is credited to the salesman.

From *Salesmen's Automobile Expense Allowances*. The Dartnell Corporation, Chicago, 1946. 28 pages.

Making the Most of Industrial Advertising Inquiries

THERE are a great many reasons why sales managers find it desirable to solicit inquiries from readers of their industrial advertising, but probably the most significant are that they enable the sales department to obtain direct orders, to distribute additional information to interested persons, to build mailing lists, and to develop leads for salesmen's follow-ups. With these

broad purposes in mind, let us consider some of the tested methods for promoting more and better advertising inquiries and using them as effective sales boosters.

There is often a tendency, in seeking and evaluating inquiries, to limit attention to *quantity*. In some cases—particularly in the mail-order field—this may be a satisfactory gauge of adver-

tising effectiveness. But more often than not, in industrial advertising, *quality* is the prime consideration.

The ultimate to be desired, of course, is a large quantity of inquiries, all of which eventually develop into the desired action, whatever it may be. In any case, it is well to try to set up goals or standards—over a period of time—against which performance can be measured.

In order to compare the “pulling” power of publications having different circulation totals, and the effectiveness of ads in different issues of the same publication, it is necessary to interpret them in terms of inquiries per thousand circulation. The number of inquiries should be broken down into *good* and *poor* groups. The good inquiries from each publication should then be divided by the total circulation. The result will be an index of the interested audience in each publication. To measure results in terms of cost, divide the total space cost by the number of good inquiries received. Comparing space costs with response in this way will often show where important economies can be made in advertising expenses.

To make a check of one publication over a period of months, it is necessary to check total circulation of each issue in which an ad appears. This is particularly important at the present time when many publications are increasing circulation as paper becomes available.

In assigning an inquiry potential to various publications, it is often helpful to rate them by the amount of useful or interested circulation which each claims. It is sometimes necessary to buy “waste circulation,” *i.e.*, to buy space in a publication for advertising that will probably interest only a small segment of its readership. Careful qualitative analysis of inquiries can in-

dicate the results from the group you expect to interest plus the value of the “waste.”

One advertiser recently offered a series of data sheets on electronic parts in a group of four publications. Previous ads in the series, directed to a wide audience in these same publications had produced from 156 to 600 inquiries. This more specialized ad brought in only 43 inquiries, yet analysis showed them to be of good quality, representing an important segment of the market for the parts advertised. Advertising to limited audiences may not invariably be a sound investment, but the response should be judged not on *total* circulation but on *useful* circulation.

It's a safe bet that most campaigns have not been refined to the practical limit and that an improved quality of inquiries is to be desired. Your analysis of results may indicate several steps you can take. If your offer is prominent, but information about the material offered is skimpy or misleading, you may receive too many requests from people who have been led to believe they want the material but who actually have no use for it. Don't skimp on copy for the sake of white space or dramatic effect. Tell as much as you can about the offer. In this way you will encourage good inquiries and eliminate many poor ones.

To make your advertising more efficient as an inquiry producer, ask yourself questions like these:

1. Is the offer prominent, or is it necessary to read the ad to discover that additional information is available?
2. Is the offer pertinent?
3. Is the offer attractive? Do you merchandise the offer with user-benefit statements—or does it merely say “please send booklet . . .”?
4. Is the element of fear eliminated? Do you make it clear that there is “no obligation” or that the booklet is “free”?

5. Does the reader know exactly what he is getting into, or is he scared off by the lack of information?
6. Can coupons improve results?
7. Is the coupon roomy? Have you included separate lines for Name, Title, Company, Street, and City? Are the spaces long enough and wide enough to be useful?
8. Is the coupon easy to clip and located in the proper corner (left side for a left-hand page or back cover, and right side for a right-hand page)? Is it clearly shown with dotted lines?
9. Have you put adequate selling copy (benefits) in the coupon? (Coupons may be read even when the ad is not.)

Here are some additional suggestions for obtaining the best possible results from industrial advertising inquiries:

1. Acquaint your sales force with your advertising *before it appears*.
2. State your offer clearly so it is easy to make the request and easy to determine what is wanted when the request is received.
3. Have on hand—before your advertising appears—either the material you have promised (an adequate supply) or an acknowledgment card or letter which states exactly when it will be sent.
4. Provide for answering every inquiry within 24 hours of receipt—even though additional time may be required to get all the information requested.
5. If you have asked readers to “send us your problem,” be sure you specify, if possible, what information you need to solve it. (One industrial advertiser recently said that every customer problem sent in is incomplete in detail and requires further correspondence before a solution can be suggested. While this difficulty cannot be entirely eliminated, some time may be

saved by asking for certain types of data in the ad.)

6. Establish an efficient system for turning inquiries over to the sales department for follow-up. Be *sure* the salesman knows what you have done about them, and what he should do about them.
7. Set up a foolproof system for checking on the sales department to determine whether follow-up was made and whether sales resulted.
8. Study inquiries to determine how their quality and quantity can be improved.
9. Keep accurate records of inquiry sources and arrival dates. (This usually requires a keying system.)
10. Set up a system for culling and then transferring inquirers' names to prospect or mailing lists.
11. Demonstrate to your salesmen—and keep them sold on—the use of inquiries to reach hot prospects. Convince them that use of direct leads is preferable to hit-or-miss contacting and that it can help them increase their sales and commissions or salaries.

The first step in checking inquiries is to set up a keying system to determine which ads are “pulling” and to identify the publications in which they appeared. If an ad is repeated, the key should be changed. If the key is made a part of the address (such as a section or department number) the response can be quickly tabulated as the mail comes in.

Week-by-week records kept for each insertion, will provide all the numerical data needed for most purposes.

By W. H. GREEN. *Printers' Ink*, March 22, 1946, pp. 29:4.

Salesmen's Expenses 30 Per Cent Higher Than Prewar

A SURVEY of salesmen's expense accounts conducted in 1945 among 150 representative companies in various lines revealed average daily expenses for operation in a large city to be \$10.82; for a small city, \$7.95. Per-mile average auto allowance was up 28 per cent over prewar.

Scarcity of low-price hotel rooms and higher prices for restaurant meals were the principal factors behind the approximate 30 per cent rise in the cost of keeping salesmen in the field as compared with the cost before the war.

—*Sales Management* 6/15/45

13 Ways to Eliminate "Seasonitis"

THE annual wage has become one of the hottest labor issues of the day. One serious objection to it, however, is the fact that many businesses are distinctly of a seasonal nature.

Obviously, employers would like to give steady, year-round work to their employees, if only for selfish reasons. But there are simply too many "ups" and "downs" in the sales of most lines to justify their guaranteeing full employment throughout 12 months of the year. On the other hand, our commercial life today is not nearly so subject to seasonal whims as when the nation's economy was largely agricultural. Gradually, many companies and industries have found ways of leveling off the seasonal peaks in their sales charts, even though they may not have been able to eliminate them entirely.

Thirteen of these methods, now in general use, are briefly described below:

1. *Manufacturing products that offset the seasons.* Many concerns have winter and summer lines. For instance, S. L. Allen & Co., Inc., Philadelphia, produce a line of agricultural implements and garden tractors—for spring and summer. The company also manufactures sleds and skis for winter.

2. *Operating in both summer and winter locations.* Many fashion shops operate seasonal stores. They open their branch stores for a few winter months at vacation centers in the South and also for a few months in the summer at northern resorts.

3. *Giving longer life to perishable products.* Such highly perishable products as fresh fruits, vegetables, and meats have very short selling seasons. Businesses dealing in these articles were formerly highly seasonal. Today, through processing, the life of these perishables has been indefinitely length-

ened. Drying, canning, preserving, dehydrating and freezing have provided the means of extending the consumption of perishables throughout the year.

4. *Using more rapid means of transportation.* Rapid transportation—by express, refrigerator railroad car, motor truck, and now by air cargo—is playing a big part in making selling seasons longer, especially in perishables. Consider, for example, the cut flower industry. Rapid transportation has enabled it to sprout into a huge business.

5. *Extending the buying period.* A number of industries have at least ameliorated their seasonal difficulties by getting people to buy in off-seasons. In normal times, coal and fuel oil dealers offered discounts to customers who would buy their fuel in the spring. And in many lines of business it's the custom for manufacturers to send seasonal goods to customers when they are ready for shipment and give them a later dating on the invoice. Clubs for regularly buying things, such as the Book-of-the-Month Club, are representative of this method.

6. *By-product utilization.* Most new businesses start out with a specialty or a small line of specialties. Such a business is likely to be seasonal. But as it develops by-products or finds new uses or new markets, its sales become less seasonal. There are many examples of this, particularly in the food industry. When pineapples were marketed solely as fresh fruit, their season lasted only a few weeks. But now, with sales of pineapple juice, canned, sliced, cubed, and shredded pineapple, it's a 365-day business.

7. *Diversification.* Diversification of lines is a sure-fire way of conquering seasonitis, for most any business. The Vick Chemical Co. built its business

around colds, widely prevalent only in winter. For years Vaporub was its only product. In recent years it added three other "cold" products—nose drops, cough drops, and an inhaler. While it did well, its business was still seasonal; so in 1938 Vick began diversifying. It acquired William S. Merrell Co., makers of medicinal agents for physicians. Then it bought Prince Matchabelli, Inc., the perfume house. It also brought the Seaforth line of men's toiletries into the Vick family. Result: The seasonal specter no longer hangs over the Vick business.

8. *Creation of off-season use for a seasonal product.* Greeting cards were once sold only during a few seasons—Christmas, Easter, etc. Now it's a staple business. The day-to-day sales on birthday cards, anniversary greetings, convalescence cards, etc., exceed the purely seasonal sales.

9. *Redesigning the product.* In numerous cases, redesigning the product has prolonged the selling season. The closed car, for example, made the automobile a year-round vehicle. Chair car operators, at Atlantic City and other resorts, who glassed in the front of their chairs, improved their winter business.

10. *Circumventing the handicap of weather.* One great reason for seasonal drops in business used to be the weather. It affected both production and sales. To a remarkable degree, air conditioning is overcoming this. Air-conditioned stores, theaters, and restaurants have largely conquered the summer slump in these fields.

11. *Sales drives.* One of the oldest methods of licking a seasonal slump is to put on a sales drive—to hold contests, offer bonuses and special prizes. These drives are usually effective in proportion to the soundness of the policies behind them. And, of course, a drive will do better if the seasonal base of the business is broadened.

12. *Sales promotion, advertising, and merchandising.* Regardless of what a concern has for sale, the product won't sell unless it is everlastingly promoted, particularly during its slack season. Such has been the experience of thousands of commercial organizations.

13. *Scheduled production.* Production today is being scheduled more scientifically and apportioned more evenly throughout the 12 months. Ideal scheduling is rarely attained, but the more it is aimed at, the less seasonal a business is likely to become.

One or more of the above methods will be found effective in practically any business. Some companies—such as Hormel & Co., Western States Envelope Co., Procter & Gamble, etc.—have been able to justify an annual wage by establishing it first and then using every ounce of ingenuity they could muster to see to it that seasonal peaks and valleys were leveled off. By broadening their business, selling aggressively, and doing everything possible to create additional work for their men, they discovered that more business actually could be whipped up.

BY JOHN ALLEN MURPHY. *Forbes*, January 1, 1946, p. 24:2.

• THE CONTINUING DARTNELL SURVEY of average earnings of salesmen reveals that all-over earnings (salaries and bonuses) of salesmen in 1933 averaged \$2,986. In 1946 this figure has risen to \$5,886. The study includes only salesmen employed by manufacturers and wholesalers.

—Dartnell News Letter 4/27/46

Packaging

Future of Food Packaging

NEW types of containers and packages, and materials for their construction, are in prospect for postwar food marketing. The variety of recent technological advances in this field and war-born packing techniques will be applicable to packaging for civilian use as materials and labor become more plentiful. The effects of these changes in packaging are likely to extend beyond the food-marketing processes to other aspects of our economic life.

The new packages for foods will appear as the result of influences operating from several sources. The packager, wherever he may be in the marketing channel, and the retailer, will have certain requirements which the new packaging must meet. They will expect the package to protect its contents until delivery to the consumer. Marketing agencies will attempt to hold down the cost of packaging to meet price competition. The costs of "over-packaging" will be avoided by substituting less expensive, light-weight materials where they are demonstrated to be practical. The battle of brand names will be intensified because of the good-will value of the new, efficient, and decorative packages which are becoming available.

The probable expansion of self-service merchandising will be a strong force for better packaging of food products that have already gone from "bulk" sales into packages. The package is the salesman in the self-service store, and there will be no sentiment against exchanging one salesman for a better one. Also, self-service methods will ex-

ert a strong pressure toward prepackaging of fresh fruits, vegetables, meats, and other produce now sold in bulk.

The housewife will influence the appearance and materials of postwar packages. Discriminating shoppers will favor the product that is not over-packaged—i.e., they will expect that the wrapper shall not add unduly to the cost of the purchase. This discrimination is particularly to be expected in the many cases in which the brand of product is not sufficiently differentiated from other brands or other products to be out of competition with them. Shoppers will look for packages that are convenient to handle and to store. They will expect the package to perform its function of preserving the factory-fresh qualities of the food.

Certain other factors will influence the consumer's choice of packaged goods. Improved transportation will carry shoppers to stores with convenient displays. Practically all goods, including fresh foods, will be pre-packaged. A probable increase in the proportion of small dwelling units will result in limited storage space. This will encourage small-lot purchases. The probability that more than the prewar percentages of women will work outside the home will increase the demand for ready-prepared foods. An increasing number of these foods are likely to be in frozen form, and these require packages that offer proper protection for preserving in dry, zero storage.

In choosing the type of package and the materials from which it is to be

made, the packer will need to consider the nature of the product to be packaged, conditions under which the food is to be marketed, types of materials available for manufacture of the package or container, and the extent to which the package should be decorated for customer appeal.

The rugged qualities of wood, along with its relative resistance to changes in temperature and moisture, have long made it a highly useful material for boxes and crates used as shipping containers. However, corrugated and solid-fiber shipping containers supplemented scarce wooden boxes widely during the war and are likely to continue to do so. Fiberboard is light, yet has sufficient rigidity to withstand the shocks met in domestic shipments of food products. V-board has carried shipments during the war to far corners of the earth for military use. Continued use of V-board for overseas shipments is likely. Also, the water-resistant qualities of V-board lead to the expectation that fiberboard crates for the shipment of fresh fruits and vegetables will soon become common.

The folding box, made of paperboard especially prepared for folding flat, serves as the package for many foods on the grocery shelves. This material can be adapted to a multitude of uses by the process of lamination—which consists of combining the paperboard with sheet materials by adhesives. Expanded use of folding boxes is likely for staple groceries and, in addition, many new adaptations of folding boxes to the packaging of fresh fruits and vegetables may be expected.

Three new types of drums—those produced from aluminum, plywood, and fiberboard—offer possibilities for wide use. Aluminum will be cheaper than formerly, and is likely to be used in containers for many kinds of edible

fats and oils. New methods of manufacturing plywood drums have been developed which will probably make them cheaper for use in the shipment of dairy products and other foods needing extra protection. Drums made of fiberboard are now finding extensive uses for jams and other viscous foods, powdered foods, and miscellaneous products such as nuts, meats, and fresh fruits.

Where a rigid container is not needed, particularly for retail packaging, flexible sheet-packaging materials are adequate for many food products. Of the three common types of such materials (paper, transparent film, and metal foil), paper, in the form of kraft wrapping paper and bags, has long been most widely used and it will continue to be important in the grocery trade. Vegetable parchment has long served as a wrapper for butter, and is used successfully as a wrapper for fresh vegetables where tensile strength must be retained when the paper is wet. Glassine is a water-impregnated paper, transparent, with a shiny surface. It is resistant to grease, but it can be treated with lacquer to make it even more resistant to grease, water-vapor, gas, and odors, and to make it sealable with heat.

The transparent plastic films, which have given excellent protection to food and metallic equipment shipped overseas during the war, are likely to find greatly increased use in postwar marketing of food. The three general types of these films have many characteristics in common: they are transparent, resistant to grease, generally odorless and tasteless, and maintain their flexibility under extreme temperatures. Cellulose films are not all moisture-vaporproof in single-sheet form. This moisture permeability is desirable in wrapping fresh products, as it permits the passage of carbon dioxide and of

moisture-vapor which would otherwise cloud the inner surface of the film. The vinyl films and the rubber-base films both have high resistance to moisture-vapor. This makes them excellent wrappers for substances requiring such protection.

Metal foils are likely to be more widely used in food packaging now that the war is over. They offer many of the protective qualities of the plastic films. In addition, they are lightproof and have a decorative metallic brightness to offset, for some products, the disadvantage of opaqueness.

Bags of three materials provide a versatile type of container for shipping and for retail purposes. Burlap bags were superseded to some extent during the war by cotton and by multi-walled paper, though the rugged qualities of burlap bags will keep them in use for some purposes. Cotton bags

serve well when appearance is important. Paper bags and paperboard boxes are supplementing cotton bags to some extent for retail packaging of sugar and flour. The new multi-wall paper bag is increasing rapidly in use, both as a shipping container and as a retail package. Almost any essential characteristic, even waterproofing, can be added to multi-wall paper bags by lamination. Open-mesh paper bags, which cost little, are rugged enough to carry weights up to 100 pounds. These offer good display possibilities, and are almost certain to be used increasingly in mass merchandising.

BY DELBERT R. FRENCH. *Postwar Packages and Containers for Marketing Foods*. Bureau of Agricultural Economics, U. S. Department of Agriculture, 1946. (*Modern Packaging*, March, 1946, p. 174:6.)

What's Expected in New Packaging

ATTRACTIVE packaging, a merchandising aid that was all but forgotten during the war years, is again coming to the fore as manufacturers prepare for competition ahead. Many packaging designs and ideas are not due for unveiling until the material shortages ease up. However, sufficient information is available to provide a representative outlook of what's due in packaging when supply catches up with demand and the battle for consumer preference begins in earnest. To find out just what may be expected in post-war packaging, *Printers' Ink* asked representative packaging designers, suppliers, and users to give their opinions on the over-all outlook.

Most of those questioned believe that few of the makeshift, ersatz wartime

packages will survive in the tough competitive years ahead. They pointed to the fact that many drug and cosmetic preparations have already abandoned their wartime uniform for their prewar civilian clothes. The makers of one such returnee, Dr. Lyon's toothpowder, were so anxious to get their product back to prewar cans that they set up a special exchange offer. Cutting out all red tape, the company called in the wartime paperboard containers from retailers' shelves, and mailed credit checks for the returned stock as soon as the old containers reached the company's factory. Within 10 days after this credit offer was made, more than 2,500 retailers had acted on it.

Some observers, however, believe that certain of the better wartime im-

provisations will be retained. One New York package designer, for example, thinks glass jars for coffee are here to stay because of re-use value and appetite appeal through visibility. He believes that the continued shortages of tinplate and other metals have accelerated the improvement of laminated papers and other moisture-proof paper-board containers for such products as tooth powder, powdered milk, and similar items.

One war-born development that seems likely to remain for some time is the standardization of sizes and shapes. As a conservation measure, the government imposed restrictions on the size and shape of many packaging materials. Those regulations are still in force in most lines and probably will remain for at least another year. Many glass and can suppliers are in perfect accord with this, arguing that it will not only avoid wastage but will permit fairly normal operation with old machinery—a condition that would be virtually impossible if the lid were taken off regulations on sizes and shapes. One glass manufacturer expressed the belief that if restrictions were lifted at this time, the output would drop 20 per cent because special molds would be demanded.

Recent government tin conservation orders have allowed almost all products in cans before the war to return to can packaging. However, tin restrictions must continue until sources seized by the Japanese are again producing normal quotas. That is expected sometime in 1948.

No particular changes are expected in the appearance of metal packages now returning to civilian markets. But there will be important changes in packaging methods and materials because of wartime developments—notably the electrolytic method of coating

steel with tin, a process which accounted for a major saving over the old hot dipping method. Further research is needed to perfect the process for the heavier tin coatings which are necessary for extremely acid foods. But it seems certain that the method is here to stay. Tin manufacturers developed two other important wartime savings. One was the use of synthetic substitutes for rubber and resin in sealing compounds; the other a change in the solder formula with low tin-lead solder replacing the high tin-lead alloy of prewar years.

Wartime necessity also helped the development of glass containers. Through use of better design, such as rounding corners, the breakage factor was materially reduced. New processes also reduced the cost of glass containers, a factor expected to play an important role in the postwar market.

The plastics industry, also under strict government control orders, is the "white hope" of many packaging men. Blown bottles of cellulose acetate and polystyrene are expected to make a strong bid for packaging cosmetics, with lesser gains possible in food packaging. Lightness of weight, thinness of mold, and transparency all combine to make them a natural for cosmetics.

Majority opinion of those questioned indicated that transparent plastics will be used extensively in the food packaging field. According to one plastics manufacturer, vegetable packaging alone could consume all the industry could provide at this time.

"A large percentage of food loss to the retail grocer is due to customer handling," he observes. "This can be virtually eliminated by pre-packaging in transparent materials. One large chain store is considering pre-packaging its entire vegetable line. Another

indication of the trend is the fact that the Western Growers' Association has formed an organization devoted exclusively to the pre-packaging of food. This will enable fresh fruit and vegetable growers to get brand identification for all their products, an advertising advantage which has generally been denied them. Of course, transparent packaging offers the same advantages to dealers in fresh meat.

The results of a recent survey conducted by *Western Canner and Packer* magazine indicate what may be expected in the frozen food packaging field. Forty leading western frozen food packers reported the types of packages they plan to use when wartime restrictions are relaxed. For consumer containers, holding one pound or less, 83 per cent of the packers plan

to use fiber. That includes cartons or bags, with and without bag liners, and various types of overwraps. Both fiber and tin will be used by 7 per cent, and the remaining 10 per cent will use tin exclusively.

Pre-sealed packaging is another factor likely to play an important part in postwar markets. Cannon Mills, Inc., is one of several hosiery manufacturers now featuring pre-sealed, purse-size transparent wraps for nylon stockings. Pre-sealing is the customer's assurance that her purchase has not been damaged, handled, or worn—an appeal that is expected to have much wider reception once the public is educated to the advantages of these merchandising methods.

BY E. J. CUNNINGHAM. *Printers' Ink*, March 15, 1946, p. 24:7.

Committee Approach to Industrial Packaging

PACKAGE-CONSCIOUSNESS is a fairly recent development in industries which manufacture tools and accessories primarily for industrial rather than consumer use. Even today, few companies in this field have a permanent packaging committee—as do most wide-awake manufacturers of consumer products—to deal with all angles of the packaging question.

Of particular significance, therefore, is the packaging committee set up six months ago by The Black & Decker Mfg Co., Towson, Md., widely known and respected maker of industrial tools and accessories. The make-up and functioning of this committee may well serve as a model for other companies in related lines where a modern packaging approach is needed.

Suggestion for the establishment of a packaging committee originated with

Black & Decker's sales manager, who believed that a coordinated and well planned packaging program would not only pay dividends in added merchandising value but would greatly facilitate handling of the company's products both at the manufacturing plant and by the distributors.

The committee was appointed by management and consists of five members:

1. The advertising manager, who represents sales and merchandising and serves as chairman of the group.
2. The assistant production manager in charge of assembly and packing, who is responsible for the physical packaging operations in the plant.
3. The traffic manager, who controls finished stock and shipping and acts as the committee secretary.
4. The chief engineer, who is responsible for the design of products and whose department writes specifications for packages and labels.

5. Engineering assistant to detail specifications.

The duties of the committee were specifically outlined. Members were instructed to study the entire packaging and labeling set-up of the company's products and to make recommendations to management on the following:

A. STANDARDIZATION OF LABELING

1. To identify the entire line as a "family."
2. To provide greater visibility and legibility of labels.
3. To reduce the number of sizes and varieties of labels.

B. IMPROVEMENT AND SIMPLIFICATION OF PACKAGING

1. To provide improved protection for various items of units and accessories.
2. To improve the merchandising value of the box or package where display on the distributor's shelves or counters is a factor.
3. To group certain accessories in convenient assortments and quantities.
4. To simplify stocking of the company's products by the distributors.
5. To simplify the packaging operation in the company's production department by reducing the number of kinds and sizes of packages and by speeding the assembly and packing operations.

The packaging committee was authorized to confer with and ask assistance from any other company departments, such as market research, methods (for comparative cost studies), purchasing, and service. The use of outside sources for design, art work, samples of materials, etc., was also authorized.

Specific and detailed recommendations of the committee are made to management on the completion of its study of any specific packaging problem through a management conference, where the packaging committee's recommendations are either approved,

disapproved, or modified for final adoption.

The importance of and need for the committee were immediately evident to its members when, as one of its first acts, the entire committee visited the stockrooms of several Black & Decker distributors. They saw the need for more legible labels and for better identity of the company's tools and accessories as a "family." The visit also enabled members of the committee to study good and bad examples in the packaging of other lines handled by the same distributors and to note the condition of Black & Decker products in comparison with others after handling by forwarders and stock clerks.

The work of the committee is not confined, however, to improvement in merchandising value of packages for the company's products. Its over-all job encompasses a large line of over 100 different types of tools (from a small electric drill weighing 3 lbs. to a complete electric valve reconditioning shop weighing 332 lbs.) and nearly 3,000 accessory items (from tiny screw-driver bits and precision spindles to large cast-iron grinder pedestals). Some items move directly to an industrial user's plant and are put to immediate use; here protective packaging is the only consideration. Display value, convenience and re-use are, however, important in packaging those items which are displayed by distributors or are kept in their packages when not in use.

The need for packaging committees in many manufacturing organizations is reflected in resolutions passed and requests made by many industrial trade associations recently. These call the attention of the manufacturers to the problems of distributors in identifying brands, individual items, quantities packaged, and catalog numbers, and ask

for some standardization in placing this information on packages and labels.

The Black & Decker Packaging Committee meets once every two weeks. Since it has been functioning only since September 1945, most of its efforts have been of a research nature. Some tangible results have been produced, however. The group has developed a packaging system and has made pilot studies of individual items in various classifications, developing for actual trial and test in the market new packages and labels which are to be applied to the entire classification, if successful.

A typical result is the new package for a wire wheel brush, an industrial item which is sold in considerable volume.

With the old package, some attempt at merchandising advantage was made by printing the company name and product identification in large block letters on the "blotter" of the brush. But it was still just a brush, albeit a Black & Decker brush; it had no suggestive trade name or symbol. And the package—a plain corrugated carton with company name and product identification printed inconspicuously on only one small side panel—was a typical example of the uninspired packaging formerly used.

Contrast this with the new package. An impressive trade name, "Whirlwind," has been adopted for the brush and is played up in bold, black letters both on the carton and on the brush itself. The idea is further carried out by a simple whirl design in the background. The company name is subordinated to the trade name and the simple identification of the size and type of brush, but it appears to good effect in distinctive reverse printing. The container has been changed to a simple tuck-end carton of paperboard, since

corrugation obviously was not needed to protect this product. All panels of the carton have been employed to repeat the product name and identity. The few simple elements of design are carried out in a clean, modern style.

Also developed by the committee is a complete set of packages for an entirely new line of electric tools to be sold through hardware and electrical retailers as "over-the-counter" items. The merchandising of this line is a step beyond the methods used for the company's regular industrial line and required an entirely new approach in the thinking and planning.

Known as the "home utility" line, these electric tools formerly were packed in a common corrugated paperboard shipping carton similar to those used for the shipment of the standard line of industrial tools going directly into plant or shop use, with the trade mark and informative printing on only one end-panel of the box. The new package is a coated paperboard die-cut telescoped box attractively colored and printed. The background of the carton is a bright orange. A wide black panel is centered on the face of the box from top to bottom and a trademark design, together with the company name, appears close to the top, printed in black and white. The name of the tool appears at the lower end of the carton face. Suggested uses for the tool are called to attention by lettering on the black center panel and by figures sketched in white on either side of the panel. Each end panel carries the trademark together with informative data. In addition to its merchandising appeal, the box was designed to serve as a re-use container for the tool when not in operation.

Modern Packaging, April, 1946, p. 130:3.

Financial Management

Trend of Corporate Profits, 1929-45

ESTIMATED at \$20.9 billion in 1945, corporate profits before federal and state income and excess profits taxes were below the \$24.9 billion of 1943 and the \$24.1 billion of 1944—a decline occasioned by the production drop that inevitably followed the war's end, despite rapid reconversion. The 1944 total would have been almost as high as 1943 had not recomputation of emergency amortization deductions, induced by the end of hostilities, reduced 1944 profits by \$600 million more than in 1943.

Profits after taxes of \$9.9 billion in 1943 and \$9.8 billion in 1944 also represented record totals, and the decline to \$9.1 billion in 1945 was much less than the change in before-tax earnings. This reflects the reduction in excess profits tax liabilities. Thus, 1944-45 profits after taxes decreased by 7 per cent; profits before taxes, 13 per cent.

In 1943, profits before taxes had risen to $2\frac{1}{2}$ times the 1929 benchmark, though profits after taxes were only one-fifth higher. Federal and state income and excess profits taxes had increased almost 10 times from 1929 to 1943, and taxes as a percentage of profits before taxes rose from their 1929 15 per cent and 1939 24 per cent to the wartime high of 60 per cent in 1943.

Corporate savings—*i.e.*, retained earnings—attained unprecedented levels during the war period, as earnings paid out in dividends did not rise appreciably. From 1941 through '45, corporate savings amounted to \$25 billion—a sum which will permit a sub-

stantial volume of capital expansion without resort to outside funds.

The 1943 to '44 decrease in profits before taxes of the manufacturing industry, principally metals and chemicals (most other subdivisions showing moderate increases or no changes), amounted to three-quarters of a billion dollars; that of 1944 to '45, to more than \$3 billion—both instances almost equaling the total drop for all industries. The transportation division, dominated by the railroad group, sustained the only other substantial decline—almost half a billion in 1943-44, continuing downward from 1944 to '45 with another drop of half a billion dollars. Trade rose a quarter of a billion in 1944—8 per cent above 1943—and was the only industry which continued to realize substantial gains.

In manufacturing, 1944 witnessed a 9 per cent drop in textile mill products' profits before taxes. Noteworthy were the 1944 increases experienced by food and kindred products, up one-tenth, and printing and publishing, one-fifth above 1943—increases that continued in 1945 to about 10 per cent over '44.

It is significant that the reduction in profits in the metal industries, amounting to over \$3 billion before taxes from 1944-45 was limited to less than \$700 million after taxes. Excess profits tax changes served to moderate the drop on an after-tax basis just as they dampened the tremendous wartime profit advances. In the early reconversion period, these industries were protected against extreme declines in profits after taxes by reconversion and

postwar reserves that had been set aside, as well as tax refunds obtainable under the liberal provisions relating to the carry-back of unused excess profits credits and operating losses.

For all industries, wartime profits before taxes averaged \$22.7 billion—more than four times the \$5.3-billion average for the peacetime period. Despite the high wartime taxes, profits after taxes were also at record levels; the annual earnings of \$9.4 billion were $2\frac{1}{2}$ times the average peacetime earnings of \$3.9 billion.

Understanding of corporate profit movements is enhanced if they can be compared with some measure of changes in the volume of corporate production. An ideal measure for this purpose would be that part of the gross national product originating in the corporate sector of the economy. Since such data are not at present available by industries, profits have been compared with sales. Although the change in profits-sales ratios over time is helpful in interpretation of profit movements, the percentage of profits to sales is much lower than the percentage of profits to the value of corporate production, because sales represent a duplicated count—including not only the value added by the final processor, but also the price paid for the material purchased from other concerns. The extent of this duplication varies among industries, depending on the ratio of the value added within each industry to its gross sales. The smaller the ratio, the larger the duplication.

Because of the duplication of inter-company sales, the profit-sales ratios understate corporate profits as a share of the cost of the final products to the ultimate consumer. The latter ratio would be roughly twice as large as the former.

An additional cautionary factor in

comparison of profit-sales ratios between industries arises from the variations among industries in the relationship of equity capital to sales. For instance, public utilities which have a relatively high ratio of equity capital to sales would be expected to earn more per dollar of sales than industries with low ratios.

The ratio to sales shows profits before taxes to be a highly elastic series, responding consistently to changes in the volume of business. From 1929 to '45, the ratios increased when sales rose and declined when sales fell, with the notable exception of 1944, when the rise in sales was not accompanied by a further advance in profits.

The profits-before-tax ratios to gross sales, ranging between 9 and 10 per cent during most of the war years, substantially exceeded the 6 per cent figure for 1929, indicating the favorable effects on profits of high production levels.

Profits after taxes, as a percentage of gross sales, reached a wartime high of 5 per cent in 1941, and gradually receded to $3\frac{1}{2}$ per cent in 1945. On a net basis, the profits ratios would have been more than twice as large. Wartime profits-after-tax ratios to sales were held below 1929 levels as a result of the excess profits tax.

Net Dividend Payments.—Net dividend payments, *i.e.*, total dividends paid by corporations less dividends received by corporations, declined from \$4.4 billion in 1941 to \$4.2 billion in 1942, but rose slowly thereafter until they reached \$4.5 billion in 1945. During this period net dividend payments amounted to less than 50 per cent of profits after taxes. The conservative dividend policy doubtless reflected in part the uncertainties of wartime production and an attempt to prepare for reconversion and other postwar costs;

but to a greater extent, it represented a transfer to surplus.

The 1945 peak in wartime net dividend payments was \$1.2 billion below the \$5.8 billion paid in 1929, despite the fact that profits after taxes were well above the 1929 level in each of the war years. Net dividend payments constituted 70 per cent of profits after taxes in 1929, compared with 50 per cent in 1945. In accordance with the procedure of the Bureau of Internal Revenue, these estimates of corporate

profits do not allow charges to contingency reserves as a deduction from income. Even if such deductions had been allowed, the percentage paid out in dividends would still have been far below the 1929 figure.

The continued rise in the dividend total in 1945 was not reflected in manufacturing, transportation, and services, where there were slight declines.

By GARDNER F. DERRICKSON. *Survey of Current Business*, April, 1946, p. 9:11.

The Semantics of Financial Reports

PUBLIC opinion surveys show that the American public, as a whole, is not 'opposed to the "profit" system. The trouble has been that management has, with only a few exceptions, presented this system under a terminology which the public could seldom understand and, egged on by opposition criticism, has thoroughly misunderstood.

As a primary illustration, let's see what Webster's Collegiate Dictionary says about the word, "profit." One definition is "the excess of returns over expenditure in a given transaction or a series of transactions."

Webster was not a certified public accountant, or a banker, or a corporation controller. Therefore, in giving his definition, he used the meaning of the term as accepted by the general public. To the general public, money spent by a corporation for machinery, or equipment, or material, represents an expenditure.

The result is that when a corporation reports a profit (or a surplus) the public thinks this sum represents an actual amount of *cash*—money left over and above everything that the corporation

has spent for equipment, buildings, material, wages, and other payments. Have you ever had the experience of trying to explain to an uninitiated person that corporation profits do not represent actual cash, but that, instead, a major share of such profits—and particularly of surplus—exists in the form of equipment, inventory, and other assets acquired during the years? How can we complain about people's attitude toward profits, when the word, as used by corporations, means something entirely different?

A large share of the difficulties which the proponents of the so-called "profit" system have had, in trying to present their case to the public, lies not in the facts but in the terminology employed.

Financial terminology developed during the past century, during the days when the financial affairs of a corporation were considered to be private, rather than public, property. As a corporation attorney once remarked, "The financial statement was invented by corporation lawyers as a device for concealing from the stockholders the true state of affairs within the company."

Be that as it may, financial termi-

nology has certainly succeeded in concealing the true state of affairs, not only from the stockholders but from the public—and has provided ammunition for consistent attacks by anti-business groups and individuals during recent years.

Definition of the word "earn" is "to acquire by labor, service, or performance." It is one thing for a corporation to acquire a certain added value by labor, service, or performance; it is quite another thing for a corporation to arrive at a "profit" which is "an excess of returns over expenditure."

As any accountant knows full well, whether you call them "profits" or "earnings" makes no difference accounting-wise. Why not escape the stigma attached to the word "profit" and get the pat on the back attached to the word "earnings"?

And why not explain that a company's "earnings" are composed only in part of cash, that most earnings are usually represented by physical objects required to help that company employ people and do business?

Terminology of the profit and loss statement is in itself ridiculous. How can any company make a profit *and* a loss at the same time?

Fortunately, many companies are now calling this statement the "income account." It shows the total income that the company took in, and what disposition was made of it. It shows what was finally left for the company—with a remainder of "net earnings" instead of "net profit."

But confusing terms still cloud the meaning of the "income account." Take a phrase, for instance, such as "cost of sales." Anybody in his right mind would figure this as meaning "selling costs"—but after a second look at the amount, he would decide that his first conclusion was wrong and that the com-

pany was trying to cover up something by using misleading terminology.

How to express some of these conditions in clear language that anybody can understand is a problem, but a breakdown showing "materials bought," "wages," "salaries," etc., would represent a good initial step. Until corporations learn how to do it, they will continue to make themselves the targets of opposition orators who use financial reports as the foundations of their soapbox exhortations.

The format and wording of the balance sheet convey to all, save the initiated, that the assets are exactly equal to the liabilities. From the standpoint of the employee or the "man on the street" this is one of the most misleading accounting conventions ever conceived.

Suppose you were told that John Jones' assets were exactly equal to his liabilities. You would conclude that John Jones was broke. You wouldn't lend him a nickel because you had been told that if he paid his debts, he wouldn't have a penny left.

And yet most of the corporations of the country insist upon presenting financial statements to the public in such form as to suggest that assets are exactly equal to liabilities. The public is not so dumb as to accept these statements at their face value. Most people know perfectly well that unless assets were greater than liabilities, companies would be out of business. Therefore they arrive at the natural conclusion that the balance sheet is nothing but a device to hornswoggle the public.

It is perfectly possible to use a financial statement that will show a remainder *after* deducting liabilities from assets—the remainder representing the capital of the company, either invested or earned.

There is, after all, nothing sacred

about the conventional balance sheet; it is not a fixed arithmetical fact. Even when certified to by the finest accountants, it is merely a financial expression of opinion.

"Surplus" is the most misleading term of all. The dictionary defines it as "that which remains when use or need is satisfied; excess; overplus." And, without doubt, that is the commonly accepted use of the word.

When a corporation says that it has a "surplus," what it means to the average man is that the corporation has a certain amount of cash money stuck away some place, *over and above all its possible needs*. Is it any wonder, then, that the union calls a strike for a raise?

It's bad enough to try to explain that "profits" are "earnings" and that "earnings" are not all in cash form. But when you try to explain "surplus" away, you are practically stymied; the basic meaning of the word is so clear. And if you try to give any other explanation than that afforded by the dictionary, you are accused of being a propagandist or a liar. But doesn't "reinvested in the business" summarize the actual fact?

Why can't we use English that will tell the actual story about what is happening in business?

By DON KNOWLTON. *Trusts and Estates*, June, 1946, p. 543 :4.

Insurance

How One Company Promotes Safety

HERE are some methods—designed to promote safety and minimize accidents—which have won employee cooperation at Trane Co., La Crosse, Wis., and helped to keep our safety program functioning smoothly.

In addition to holding safety meetings of our workmen, and having the union steward of each department on our safety committee, we have instituted a Foremen's Safety Committee. This meets at least monthly, as does the workmen's committee, but at a different time. Foremen need help in maintaining safe practices, just as they need help from the personnel department, technical departments, and stock-chasers in their own department.

In one instance, a man refused to wear certain protective equipment. The foreman ordered him to wear it. The

violator went to his union steward. The latter, however, was on the safety committee and realized that the equipment had to be used. Instead of sympathizing with the violator, the steward affirmed what the foreman had already told him. The violator then went to the president of the union, also a member of the safety committee. The net result was that the man went back to the job and wore the equipment. This is only one case out of many that have been settled in this way.

How about the recommendations the safety committee makes about shop hazards needing correction? Do they go "hog wild" and want to revolutionize the whole plant? The answer is "no." With the help of the engineer from our insurance company, we are giving them an education in safety to

the point where they make suggestions only when they are pretty sure they are practicable. In the past six months about 150 recommendations have been submitted. The management has seen fit to carry out over 90 per cent of these, and many of the others are either being worked on or still being studied. The result is maintained interest, better housekeeping, and a decided decline in accident frequency and severity.

What is the foreman's reaction? Anything that makes his busy day a little easier will not bring any adverse criticism from him. Cooperation in handling both grievances and safety problems has been greatly increased. Experience has shown that many suggestions are carried out in the department that are never recorded under recommendations.

Each month an inspection committee composed of our safety engineer, the engineer from the insurance carrier, a member of the Safety Committee (these men are rotated so that all get a chance to inspect all the plants), and the writer make a tour of all departments in each plant. Occasionally, the plant nurse accompanies us. In each department, we call the foreman and the safety committee man and go over any problems they have. Where a recommendation requires study and outside help for execution, a formal record is made.

While the safety department is under the writer's general direction, it is more directly supervised by our safety engineer. He keeps three or four men busy at all times fabricating die guards, making various types of inspections, and performing other duties pertaining to safety. Other groups that help carry out recommendations are the electrical and maintenance departments.

At the discretion of our plant registered nurse, cases serious enough are referred for medical attention either to our plant physician, who is in his plant office each morning, or to the employee's family doctor if requested. These cases are formally written up by the foreman and investigated by our safety engineer. The latter makes recommendations from his investigation for the correction of faulty conditions. On a special form, he investigates "near-accidents." These are cases—called to his attention by the nurse—in which a little more severity would have produced an accident with a medical case status.

A number of our group interested in safety, including the plant nurse, completed a course in safety engineering sponsored by the University of Wisconsin's Wartime Training Program. This education, spread out to many individuals, has taken much responsibility off the safety director's shoulders and helps keep the machine better oiled.

Each department has a safety bulletin board, on which the date of the last lost-time accident is printed at the top. Safety posters, changed every Friday, are underneath; and topping the display is a small safety flag. Any department that has a disabling injury loses the flag for 30 days. In front of the plant, a large 7- by 10-foot bulletin board indicates at a glance each department's safety record for the year.

Before any man starts on the job, he is given a talk by our engineer, and presented with a book of rules and regulations and the safety code. Next he is introduced to his foreman. All our foremen completed the Job Instructors' Training course sponsored by the WPB. They were taught that part of the job instructions are safety instructions, which include calling special attention to any existing hazards.

Some time within the new employee's first 30 days on the job, he finds himself in our large conference room with 20 or more other new men. They are again given a talk on safety, with a demonstration of how to lift. They must actually take turns lifting an object until they know the right way. The last part of the program is the showing of a safety film. The company bought the projector and screen, and the insurance company lends us the film. Our records show that new men do not get hurt any oftener than experienced men.

Not long ago, we decided to put on a drive to increase the sale and use of safety shoes. A subcommittee from the main safety committee was picked to work with the writer on this. After some discussion, it was thought that sales could be stepped up by laying the foundations in the workers' homes. Possibly some men do not wear safety shoes because their wives feel they

should wear out an old pair of Sunday shoes on the job. We called in a copywriter from our advertising department, who drew up a letter pointing out the economic loss to a home if the wage earner were laid up because of smashed toes, and the fact that shoes could be purchased through the company at cost. This letter was mailed to every worker's home, then followed up by a heavy display of safety shoe posters as well as sales talks by our foremen and safety committeemen. Our shoe department was moved up to the plant entrance, where displays could be seen by all employees. Credit was arranged. In four weeks' time, a great many pairs of safety shoes were sold, and sales are still very good. A survey shows that, where formerly about 33 per cent of our men were wearing safety shoes, about 40 to 45 per cent are now doing so.

By R. W. GILLETTE. *National Safety News*, December, 1945, p. 64:2.

Disabled Veterans and Workmen's Compensation Rates

IN response to numerous complaints from widespread sections of the country that some employers are failing to hire disabled veterans on the ground that this is either forbidden or heavily penalized by workmen's compensation insurance contracts, J. Dewey Dorsett, General Manager of the Association of Casualty & Surety Executives, has issued a sweeping denial that there is any provision in insurance policies or rates on which to base such statements.

"Employers who make any such claims are sadly uninformed about the provisions of their policies," Mr. Dorsett said. "There is nothing whatever in the policy which either forbids or even advises against the employment of any disabled person, veteran or non-veteran. Neither is there anything in the rating formulae which even takes into account whether or not an employer has disabled persons in his hire."

"I do not agree with those who presume that such employers know better and are merely using the insurance angle as a convenient excuse for refusing to hire disabled war veterans," Mr. Dorsett said. "It would be contrary to their own best economic interests to do so. I am confident that either they have been misinformed or simply have failed to read their insurance contracts. So I hope this statement will help to clear the atmosphere and thereby prove beneficial to veterans and employers alike. Here are the facts:

"A workmen's compensation insurance policy says nothing whatever, implied or direct, about the physical condition of persons an insured employer may hire.

"Without attempting to go into all of the ramifications of rating formulae, workmen's compensation insurance rates are based on claim severity and claim frequency—in other words, the cost of claims and the number of claims presented from year to year. Neither directly nor indirectly is there anything in the rating formulae or schedules which says that an employer shall be rated upward or downward because he does or does not employ disabled persons."

—The National Underwriter 7/4/46

Survey of Books for Executives

PHILOSOPHY OF BUSINESS. By Rupert C. Lodge. University of Chicago Press, Chicago, 1945. 432 pages. \$5.00.

Reviewed by E. F. Knauth*

Everyone has done some reflecting upon the life he lives and the thoughts he thinks; we are all of us philosophers at some time or other. But who, pondering his methods of thought and action, has not at times worried because there seemed to be no pattern to his thinking—no regular system of thought displayed?

Professor Lodge, in this unique and provocative book, says that in this seeming confusion of methods of thought lies the philosophical strength of the successful business man.

"Philosophy of Business" takes the view that there are primarily three schools of approach to life—life which includes business as one of its most complex and interesting aspects. These are the schools of realism, idealism, and pragmatism.

The realist believes in "cold facts," in a world of things that can be seen, touched, weighed, and measured. The concept of the "economic man," who acts only from self-interest, derives from one branch of the school of realism. The idealist starts with a world of the mind. The external world is populated with things perceived by the mind. The mind can even create its own visions of perfect things of which existing counterparts are but imperfect approximations. The pragmatist, seeing nothing of value in the mechanical world of the realist or the dream world of the idealist, is interested only in common-sense matters, in workable and practical things of everyday living, in experimenting to meet the conditions of this world of living beings with whom he must associate.

None of these three schools represents the true, the proper method of thinking, according to Professor Lodge. His theorem is that in the course of business a man will encounter varying situations, and depending upon his position in the business world, he will find that now one approach, now the other, now the third, will lead him to the solutions he seeks.

* President, Garfield Tea Company, Brooklyn, N. Y.

A "balanced philosophy" is thus one which confronts a problem with the weapons of one of the three schools, while at the same time the methods of the other two schools remain as supporting weapons, affecting and perhaps modifying the use of the one chosen.

A man engaged in, for example, a small business of his own will be predominantly pragmatic, experimenting with various ways of getting and holding customers, trying this tactic and now that to keep abreast of his competitors. A different type of business, on a different level, may demand preponderantly realistic thinking; the railroad planner must deal with such objective things as the geography, resources, and facilities of an area of contemplated construction. On still another plane, that of "financial capitalism," realism is again the primary method of approach, but with a stronger tinge of idealism than appeared in the other two instances.

Yet the pragmatic merchant in his little establishment must necessarily take heed of the facts of production, cost, physical limitations of plant, and so on, and thus must be partly a realist. The realistic railroad planner may not listen only to his surveyors and engineers; he encounters a demand for a special feeder line for commuters, let us say, and in satisfying this "unscientific" demand, he follows the methods of the pragmatist. And the organizing genius of the realist, which has done so much to make of "big business" a monument to exactitude, precision, and research, must also have regard to inventiveness and craftsmanship, to the aesthetic appeal of merchandise manufactured, the social worth of services rendered, the aspirations of employees and customers—which means utilizing the methods of the idealist.

These examples not only represent the combination of different schools of thought but also outline the three levels of capitalism which Professor Lodge investigates so interestingly, from the lowest level of petty capitalism through industrial capitalism to the uppermost level of financial capitalism.

The radically opposed beliefs of the three schools cannot be synthesized into a single system; it must be a matter of combination. It is as if a tool had three edges, each shaped for a different kind of work, yet each edge

depending for its strength and structure upon the existence of the other two. The fact that all three edges are part of one tool, and are not independent or mere points rather than edges, avoids the implication that this "balanced" philosophy is in fact merely eclecticism.

What underlies the selection of the proper edge for the accomplishment of a given task? The balanced judgment of the seasoned executive, says Professor Lodge. In examining the self and the mind in business, he not only acknowledges that every individual is a complex of forces but he pays full tribute to the subconscious thinking which plays so large a part in our habits of living.

The theory of a "balanced philosophy" is advanced early in the book, and is then developed in different ways. Business in general, then production, distribution, and management (advertising, too) are separately examined from the three aspects of realism, idealism, and pragmatism.

The author presents at appropriate points brief and sharply focused summaries of the characteristics of most of the philosophical schools of history, stated in uniform and understandable terms. The cases cited—actual business histories and numerous well-chosen biographies—are treated with insight and sympathy.

Professor Lodge has a feeling for words and sentences. He has a deceptive, quietly humorous style which almost conceals the immense amount of erudition and research essential for the preparation of such a fresh and stimulating work.

PUBLIC RELATIONS—PRINCIPLES AND PROCEDURES. By Theodore R. Sills and Philip Lesly. Richard D. Irwin, Inc., Chicago, 1945. 321 pages. \$3.75.

Reviewed by Edward K. Moss

Lincoln once said: "Public sentiment is everything. With public sentiment, nothing can fail; without it, nothing can succeed. Consequently, he who molds public opinion goes deeper than he who enacts statutes . . ."

Forced by circumstances within and without the country, industry today begins to recognize the wisdom in Lincoln's words, to consider more carefully the role of free enterprise in a free nation, to find ways and means for the company and corporation to take its place in the national community as a civic entity with a citizen's responsibilities.

As the recent annual report of General Motors pointed out: "It is not enough for industrial management to engineer and manufacture better products at even lower costs.

Industry has the additional responsibility of demonstrating sound social as well as economic objectives.

"The way a company produces is often as important as *what* a company produces. The successful business must adopt wise, constructive policies in the interests of all concerned. It must apply these policies effectively, but more than that it must interpret them to employees, stockholders, suppliers, local communities, and the public at large, so that all will have a clear understanding of the company's aims and actions . . ."

Interpretation of a company to the public so that all the facts are available as the basis for an intelligent judgment; measurement of public opinion and recognition of it in company planning; guiding action to satisfy public opinion—all these things have become the practice of public relations.

While much has been written and spoken about the need for sound public relations, little of real worth has been said and even less written about its techniques. Sills, a public relations counsel in Chicago, and Lesly, public relations director for the Ziff-Davis Publishing Company, have undertaken to explain the techniques in this volume. "The purpose of this book," they say, "is to explain what public relations actually is, how the public relations counselor operates, what tools he uses . . ."

In more than 300 pages the authors discuss public relations in politics, education, religion, business, management-labor negotiations, and all its other facets. They write of the Association of Wirebound Box Manufacturers' campaign to sell "box and crate engineering" to the trade; the story behind efforts of cedar chest manufacturers which led to the revived popularity of the "hope chest" for every girl; the fight of the liquor industry against the prohibition groups; how Brunswick-Balke lifted bowling from a dubious social environment to status as one of the most popular indoor recreations; how McKesson & Robbins overcame the stigma of the Coster scandal; and dozens of other cases of effective public relations.

It is regrettable, therefore, that this book is too general to be of much use to the practitioner of public relations, that it lacks the documentation and orderly approach of the student. While the authors discuss public relations problems and the need for solutions, and often cite solutions and their results, they seem to obscure or omit specific means of attaining solutions or implementing them. The gaps are irritating, and they belie the intent of the book.

The authors frequently point out that psychology, sociology, history, law, physiology, languages, all sciences are the foundations of public relations, that a knowledge of these is requisite to public relations practice. But

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their exact pertinence to public relations and their usefulness never emerge in tangible form from the mist of generality in the book.

Whether this failure is attributable to reluctance to divulge what the authors may regard as "trade secrets" or to a lack of a real intimacy with these fields, it seems to be a common failing of public relations counsels. The need for a sound, sober, detailed explanation of how a public relations

counsel functions remains to be written. In view of the current confusion as to what public relations is and the prevalent tendency for each executive to be his own counsel because of a lack of understanding of the great skill and experience necessary, it would seem imperative for the public relations of the public relations profession that someone write such a book—soon.

Briefer Book Notes

[Please order books directly from publishers]

GENERAL

NATIONAL SECURITY AND THE GENERAL STAFF. By Maj. Gen. Otto L. Nelson, Jr. Infantry Journal Press, 115 Seventeenth Street, N. W., Washington 6, D. C., 1946. 608 pages. \$5.00. Of interest to students of organization and administration, this ambitious work covers the development of the General Staff and the War Department, with particular emphasis on the problems encountered in reducing the complexities of top level planning and coordination to manageable proportions.

DEMOCRACY UNDER PRESSURE: *Special Interests vs. the Public Welfare.* By Stuart Chase. The Twentieth Century Fund, New York, 1945. 142 pages. \$1.00. Discusses the formation of pressure groups, their methods of operation, and their effects on the general welfare. The author advances proposals for dealing with such groups, and recognizing what is legitimate about them while firmly curbing their abuses and excesses.

FAMOUS LEADERS OF INDUSTRY. Fifth series. By Joseph A. Moore, L. C. Page & Company, Inc., Boston, 1945. 326 pages. \$2.75. Informative and inspiring word portraits of 22 industrial titans of modern America, written in sprightly style.

WHAT ECONOMIC SYSTEM FOR AMERICA? By Charles J. Brand. Available from the author at 1111 Investment Building, Washington 5, D. C. 96 pages. \$1.50. The thesis of this thought-provoking memorandum is that, so far as our own nation is concerned, the modified form of capitalism—involving, among other things, free enterprise and individual initiative—which has been given the name of American voluntarism, should be continued and improved. It has evolved from our own particular history, population, natural resources, and form of government, says the author, and almost inevitably is best fitted to our needs.

THE ART OF DECISION. By Herbert N. Casson. *The Efficiency Magazine*, Kent House, 87 Regent Street, London, W.1, England. 104 pages. 10s. Inspirational anecdotes and pithy maxims (plus much that is trite) are contained in this guide to wise decision-making in life and business.

DEVELOPMENT OF COLLECTIVE ENTERPRISE: *Dynamics of an Emergent Economy.* By Seba Eldridge and Associates. University of Kansas Press, Lawrence, Kansas, 1943. 577 pages. \$4.50. Presents the findings of a five-year investigation of collective enterprise by 30 collaborators. Attempts to determine, through an inductive study, the basic factors in the growth of collective undertakings, particularly in the United States; and examines these undertakings as going concerns, discussing the underlying controls, administrative patterns, financial policies, personnel conditions, and operational efficiencies.

WHEREVER MEN TRADE: *The Romance of the Cash Register.* By Isaac F. Marcossou. Dodd, Mead & Company, New York, 1945. 263 pages. \$3.00. Traces the evolution of counting devices from the primitive notch-sticks and abacus to the invention in 1878 of the cash register. Details the history of the National Cash Register Company and describes the extension of American commercial techniques in almost 50 countries where National machines function in foreign currencies.

NOWHERE WAS SOMEWHERE. By Arthur E. Morgan. The University of North Carolina Press, Chapel Hill, N. C., 1946. 234 pages. \$2.50. The author's central theme is concerned with the interaction of utopian concepts and existing societies, and in developing it he searches for the origins of utopian ideas through many lands and into the deep past, describing, as he does so, some of the social and economic characteristics of earlier societies.

THE LITERATURE OF BUSINESS: *Contemporary.* Edited by Alta Gwinn Saunders and Herbert Le Sourd Creek. Fifth edition. Harper & Brothers, New York, 1946. 453 pages. \$2.25. This anthology of highly readable selections by contemporary writers is a successor to the fourth edition of *The Literature of Business*, which appeared in 1937. Because of the broad changes since that year, almost all the material in this volume is new. Includes works by such authors as John Hersey, William Allen White, Beardsley Ruml, Bruce Barton, Henry Wallace, and Stuart Chase.

INTERNATIONAL BUSINESS DICTIONARY: *In Five Languages.* By Frank Gaynor. The Philosophical Library, New York, 1946. 452 pages. \$6.00. This polyglot dictionary of commercial terminology in English, German, French, Spanish, and Italian should prove a practical aid to importers, manufacturers, bankers, lawyers, librarians, and all others who occasionally handle correspondence, forms, etc., in these languages. The words and phrases included are those which several statistical frequency counts have shown occur most frequently in actual commercial correspondence. Thus, wertvoll; de valeur; precioso, prezioso—or, in English, valuable.

LABOR RELATIONS AND PERSONNEL MANAGEMENT

STUDIES IN SUPERVISION (A Series of Lectures Delivered January 30 to March 20, 1945). McGill University, Montreal, Canada, 1945. 149 pages. Limited quantity available (address Public Relations Department, The National Breweries, Limited, 990 Notre Dame Street West, Montreal 3, Canada). A group of authorities discuss these subjects: Supervision and What It Means; Qualities of a Supervisor; Friction Points in Industry; The Group and the Individual; The Learning Process; The Mechanism of Grievance; The Industrial Environment; The Medical Department Contributes to Supervision.

LABOR TODAY AND TOMORROW. By Aaron Levenstein. Alfred A. Knopf, New York, 1945. 268 pages. \$2.75. A discussion of relations among management, labor, and government during the war and of their potential consequences in the postwar period.

PROVIDING FOR UNEMPLOYED WORKERS IN THE TRANSITION. By Richard A. Lester. Committee for Economic Development Research Study. McGraw-Hill Book Company, Inc., New York, 1945. 152 pages. \$1.50. Advances concrete proposals for alleviating transitional unemployment through a more adequate system of unemployment benefits, action by industry, worker education, and a flexible public works program.

FRINGE ISSUES: *A Study of Philadelphia Area and Industry Practices.* Industrial Council, Chamber of Commerce and Board of Trade of Philadelphia, 1129 Walnut Street, Philadelphia 7, Penna., 1945. 44 pages. 50 cents. Text, charts, and graphs provide data on such questions as extent of unionization, vacation pay policies, holidays granted, level of factory wages, etc., in 341 Philadelphia companies.

BASICS OF SUPERVISION: *With Special Emphasis on Safe and Efficient Production.* By H. W. Heinrich. Alfred M. Best Company, Inc., New York, 1944. 180 pages. \$3.00. This review of fundamental principles of effective foremanship is concerned particularly with the foreman's responsibility for shop safety. The material is arranged in textbook form, with suggestions for instructors and with selected examination questions.

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LABOR UNIONS AND MUNICIPAL EMPLOYEE LAW. By Charles S. Rhyne. National Institute of Municipal Law Officers, 730 Jackson Place, N. W., Washington 6, D. C. 583 pages. \$10.00. Drawing on the experiences of cities throughout the nation, this study cites legal decisions and opinions on membership by city employees in labor unions and on the power of municipalities to enter into contracts with such unions. All phases of the legal relations between unions and municipalities are covered, including the power of municipalities to prohibit union membership where such membership is inconsistent with the public duties of certain of its officers and employees. This volume brings up to date the NIMLO study, *Power of Municipalities to Enter into Labor Union Contracts—A Survey of Law and Experience*, published in 1941.

THE BROTHERHOOD OF SLEEPING CAR PORTERS: *Its Origin and Development.* By Brailsford R. Brazeal. Harper & Brothers, New York, 1946. 258 pages. \$3.00. This book is the record of one of the most interesting and least-known labor organizations in the United States. It reveals the struggle of Negro Americans to secure recognition in the world of organized labor and tells the story of the beginnings, growth, and present activities of the Brotherhood. Foreword by Leo Wolman.

NEGRO LABOR: *A National Problem.* By Robert C. Weaver. Harcourt, Brace and Company, New York, 1946. 329 pages. \$3.00. Here is a significant report on what has happened to Negro labor during the war years and what racial problems will face both workers and management in the postwar period. Describes the many occupational changes for Negroes which have taken place, and the roles which organized labor, management, and government have played in effecting them.

GOVERNMENT AND LABOR IN EARLY AMERICA. By Richard B. Morris. Columbia University Press, New York, 1945. 557 pages. \$6.75. A comprehensive work which discusses the legal and social status of free labor and indentured servitude in colonial days. Of special interest to the student of contemporary social and governmental problems, this well-documented study of labor and government during the first two centuries of American history provides significant parallels to current patterns.

TRAINING OPERATIVES FOR MACHINE SHOPS: *A Works Instructor's Handbook.* Prepared by The National Institute of Industrial Psychology. Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, London, W. C. 2, England, 1944. 35 pages. 2s. This handbook is designed to assist advanced machine operators who have had little or no supervisory experience to train novices assigned to work under their direction.

INDUSTRIAL FEEDING MANAGEMENT. Prepared by the Committee on the Nutrition of Industrial Workers of the National Research Council in collaboration with the War Food Administration. War Food Administration, U. S. Department of Agriculture, 1945. Obtainable from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 46 pages. 10 cents. This booklet offers helpful suggestions to assist plant food service managers in providing meals of high nutritive quality in a form and at a price attractive to the majority of workers. A brief description of the types of facilities and equipment required for various types of service is included. The management of food service employees is discussed, and the pamphlet also considers methods of conducting nutrition-education activities within the plant.

THE OFFICE LIBRARY OF AN INDUSTRIAL RELATIONS EXECUTIVE. Prepared by Helen Baker. Industrial Relations Section, Princeton University, Princeton, New Jersey, 1946. 37 pages. 50 cents. An excellent bibliography designed to help the industrial relations executive build a "five-foot shelf" of key management books and documents.

CONFERENCE LEADER TRAINING. By Edward S. Maclin and Paul T. McHenry. National Foremen's Institute, Inc., Deep River, Conn. 77 pages. \$2.50. A step-by-step guide for organizing successful conferences and developing effective leadership techniques.

OCCUPATIONAL DISEASES: *Diagnosis, Medicolegal Aspects and Treatment.* By Rutherford T. Johnstone. W. B. Saunders Company, Philadelphia, Penna., 1942. 558 pages. \$7.50. An authoritative handbook for the industrial physician. Outlines a basis for the diagnosis and treatment of the more common occupational diseases, interprets the medicolegal phase, and cites from experience the expected disability.

JOB EVALUATION METHODS. By C. W. Lytle. The Ronald Press Company, New York, 1946. 329 pages. \$6.00. In this "analytic treatment of job evaluation," the author has sought to separate the whole of job analysis and evaluation into functional steps, instead of presenting the leading plans as isolated plans. The book contains a wealth of information which makes it an invaluable reference tool for the wage and salary administrator.

FOREMEN ON THE MARCH. By Joseph Rosenfarb. Reprint of an article from *The Federal Bar Journal*. Available from the author at 400 West 118th Street, New York 27, N. Y. 16 pages. Gratis. Supervisory unionization is here to stay, according to Mr. Rosenfarb, and the tendency of foremen's unions will be to affiliate directly or indirectly with unions of the rank and file. The author feels that if the organization of supervisors is halted, a "strategically placed segment of the American industrial middle class" will be made "receptive to fascist ideas and adventures."

THE PERSONNEL PROGRAM OF JACK & HEINTZ. By Roswell Ward. Harper & Brothers, New York, 1946. 146 pages. \$2.00. A description of the personnel methods and long-term policy of an unusual industrial organization, whose much-publicized industrial relations program is currently undergoing needed adjustment to peacetime conditions.

U.E. GUIDE TO WAGE PAYMENT PLANS, TIME STUDY, AND JOB EVALUATION. United Electrical, Radio & Machine Workers of America, 11 East 51st Street, New York, N. Y., 1943. 128 pages. 25 cents. Addressed to union members, this interesting manual presents an important union's views on the various types of incentive pay plans and on job evaluation and time study.

TRAINING AND REFERENCE MANUAL FOR JOB ANALYSIS. Division of Occupational Analysis and Manning Tables, Bureau of Manpower Utilization, War Manpower Commission, 1944. For sale by Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 104 pages. 20 cents. This practical manual, which was the basic training and operational text for job analysis throughout the War Manpower Commission, is recommended reading for job analysts in industrial and commercial organizations.

MANAGEMENT AND MEN. By G. S. Walpole. Jonathan Cape, 30 Bedford Square, London, England, 1944. 200 pages. 7s. 6d. This stimulating discussion of the theory and practice of joint labor-management consultation at all levels draws extensively on British experience and in particular on the experience of the author's own company.

EMPLOYEE RETIREMENT PLANS. By Richard E. Wyatt *et al.* Graphic Arts Press, Inc., Washington, D. C., 1945. 110 pages. Discusses: reasons for a retirement plan; essential provisions of a retirement plan; methods of administering and financing retirement plans; operating procedure; and tax considerations.

JOB PLACEMENT OF THE PHYSICALLY HANDICAPPED. By Clark D. Bridges. McGraw-Hill Book Company, Inc., New York, 1946. 329 pages. \$3.50. Addressed to those concerned with the selection and placement of workers, this book offers practical help in the rehabilitation and proper job placement of disabled workers. Describes common disabilities of workers, their effects upon work capacity, and the specific placement considerations and work limitations applying to each disability.

SELECTIVE PLACEMENT FOR THE HANDICAPPED. United States Employment Service, War Manpower Commission, 1945. Available from Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 136 pages. 25 cents. A valuable guide for fully utilizing the abilities of disabled workers, through scientific selection, placement and training techniques. Describes and evaluates specific disabilities and their accompanying limitations.

JOBS AND THE MAN. By Luther E. Woodward and Thomas A. C. Rennie, M.D. Charles C. Thomas, 301-327 East Lawrence Ave., Springfield, Ill., 1945. 145 pages. \$2.00. A guide for those who employ, supervise, and counsel individuals with emotional problems, whether they be veterans or civilians. Contains charts, diagrams, and a bibliography of selected books and articles on mental hygiene in industry.

OCCUPATIONAL GUIDANCE

CHANGING YOUR WORK? By J. Gustav White. Association Press, New York, 1946. 210 pages. \$2.50. A helpful guide to vocational adjustment for veterans, war workers, recent graduates, old or handicapped workers, and those who are dissatisfied with their jobs or who cannot adjust to them.

OCCUPATIONS: A Selected List of Pamphlets. By Gertrude Forrester. The H. W. Wilson Company, New York, 1946. 240 pages. \$2.25. A bibliography of pamphlets and monographs on a wide variety of occupations. The data have been compiled with a view to assisting counselors, librarians, and teachers in locating, indexing, and filing occupational information in pamphlet form.

HOW TO FIND AND SUCCEED IN YOUR POSTWAR JOB. By Frank S. Endicott. International Textbook Company, Scranton 9, Penna., 1946. 147 pages. \$1.75. Designed to meet in a practical way the needs of maturing youth and adults as they seek to adjust themselves to the postwar occupational world, this book contains many suggestions for individual self-analysis, study and choice of vocational opportunities, and advice for making the most of them.

OCCUPATIONAL PLACEMENT. By Anna Y. Reed. Cornell University Press, Ithaca, New York, 1946. 350 pages. \$5.00. A timely and much-needed study of the strengths and weaknesses of placement services and of educational efforts to effect occupational adjustments.

OFFICE MANAGEMENT

THE DESIGN OF FORMS. Organisation and Methods Division, H. M. Treasury, 1945. Available from H. M. Stationery Office, London, England. 83 pages. 2s. 6d. A comprehensive guide for designing forms that do their job efficiently and are economical to produce and to handle. Discusses choice of type, layout, size, paper, and the adaptability of various reproduction processes.

PRODUCTION

LINCOLN'S INCENTIVE SYSTEM. By James F. Lincoln. McGraw-Hill Book Company, Inc., New York, 1946. 192 pages. \$2.00. Here are the fundamentals and methods of application of the successful Lincoln Electric Company incentive plan. This presentation illustrates step by step the details of the program which is reported to have increased output per man-year by more than 12 times.

INDUSTRIAL ECONOMY AND LABOR CONTROL. By Wayne L. McNaughton. Golden State Publishers, Westwood Village, Los Angeles, Calif., 1945. 273 pages. \$2.75, paper; \$3.25, cloth. This book is concerned chiefly with the effective utilization of manpower and with the advantageous use of machinery, tools, equipment, materials, and floor space. Provides an introduction to time and motion study techniques for the novice.

INDEX NO. 1 OF AVAILABLE INDUSTRIAL AND SCIENTIFIC TECHNICAL REPORTS. Office of the Publication Board, Department of Commerce, Washington 25, D. C., October, 1945. 21 pages. Gratis. The first index of reports on German processes and techniques released since the occupation. As additional reports are issued, further indexes will become available. While many of these reports are merely evaluations of enemy plants investigated or summaries of interviews with German scientists and contain little technical information regarding actual processes, a great number are of considerable value to American industry.

MARKETING AND SALES MANAGEMENT

DISTRIBUTION COST ANALYSIS: A Management Tool for Cost Reduction. By Charles H. Sevin. *Economic Series No. 50*, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce, 1946. Available from Superintendent of Documents,

U. S. Government Printing Office, Washington 25, D. C. 56 pages. 15 cents. This valuable study is a reappraisal of the techniques of cost analysis that have been developed by the Bureau of Foreign and Domestic Commerce over the past 20 years. Separate sections are devoted to the technique of distribution cost analysis at the retailing, wholesaling, and manufacturing levels. Includes a discussion of the purposes of cost analysis and examples of results achieved by companies that have made and applied such studies.

FINDING THE PROSPECT AND GETTING THE INTERVIEW. By Charles B. Roth. Prentice-Hall, Inc., New York, 1946. 179 pages. \$2.50. The purpose of this book is to enable salesmen to make the most of their time. It describes simple techniques that will help them, first, to find prospects; second, to predetermine their worth; third, to get in to see them; and, fourth, to establish the sales interview on a sound basis by saying and doing the right things during the first few critical seconds of every contact. An important guide for the salesman who wants to succeed during the coming years when a buyers' market will prevail.

INTERNATIONAL TRADE HANDBOOK. Prepared by the International Trade Committee of the Committee for Economic Development. Committee for Economic Development, New York, 1946. 100 pages. 50 cents. This handbook sets forth practical steps to which a business man—whether already engaged in international trade or planning to enter the international market—should give consideration. Individual sections deal with the special problems of the manufacturer, the wholesaler, the jobber, and the retailer.

INDUSTRY IN LATIN AMERICA. By George Wythe. Columbia University Press, New York, 1945. 379 pages. \$4.00. A broad survey of the industrial aspects of different Latin-American national economies. Enumerates the types of industrial enterprises now operating in the other American republics and analyzes the possibilities of further industrial development.

FOREIGN TRADE AND SHIPPING. A Report by The American Maritime Council, Inc. McGraw-Hill Book Company, Inc., New York, 1945. 307 pages. \$3.00. Compares American and British methods for handling problems related to foreign trade and shipping with a view to determining what government and industry should do to develop an effective organization for handling our foreign trade.

ESSENTIALS OF SELLING. Edited by Charles W. Lewis. Prentice-Hall, Inc., New York, 1945. 274 pages. \$3.75. Twenty-two chapters, each written by an experienced sales executive, provide basic training material for salesmen. Such topics as the sales pre-approach, handling objections, getting repeat orders, using sales helps, etc., are discussed.

INDUSTRIALIZATION AND FOREIGN TRADE. Economic, Financial and Transit Department of the League of Nations, 1945. Obtainable from International Documents Service, Columbia University Press, New York City. 172 pages. \$2.15. A study of the effects of the industrialization of undeveloped countries on the foreign trade of the older industrial countries. Discusses both the risks and the advantages which such industrialization may present to older industrial nations.

SALES MANAGER'S HANDBOOK. Postwar edition. Edited by J. C. Aspley. The Dartnell Corporation, Chicago, 1946. 1,102 pages. \$7.50. While this fourth edition of the handbook brings up to date certain basic material appearing in previous editions, the great bulk of the content is entirely new. Includes material from recent Dartnell reports on such subjects as salesmen's compensation, sales manuals and bulletins, salesmen's automobile allowances, etc. An important reference manual for marketing executives.

PRACTICAL SALES MANAGEMENT. By Harry Simmons. Prentice-Hall, Inc., New York, 1946. 427 pages. \$5.00. Written with a view to the demands that will be placed on sales managers during the postwar era of vigorous competition, this helpful volume covers such subjects as salesman selection and training; building sales morale; making effective use of visual selling aids; effective sales meeting techniques; getting results from product, market, and consumer research.

ADVERTISING LAYOUT: *The Projection of an Idea.* By Richard S. Chenault. Heck-Cattell Publishing Company, Inc., New York, 1946. 96 pages. \$5.00. This study of the essentials of advertising layout ranges from the basic principles of layout design to the functions of an agency art director. Specific layout principles are illustrated on nearly every page.

STUDY ON ORGANIZATION OF THE ADVERTISING FUNCTION. Conducted by McKinsey & Company for the Association of National Advertisers. Available from Association of National Advertisers, Inc., 285 Madison Avenue, New York 17, N. Y. 173 pages. \$10.00. This study of the organization of the advertising departments of 202 A.N.A. member companies shows that such departments are being called on to do many more and varied jobs than ever before, and indicates that many of advertising's wartime functions have become permanent. Contains organization charts of 64 companies.

FINANCIAL MANAGEMENT

EXPANSION FROM RETAINED EARNINGS: 1940-1944. By Roy A. Foulke. Dun & Bradstreet, Inc., New York, 1946. 79 pages. Gratis. A timely study of 1,785 medium and smaller manufacturers for which tangible net worth and net working capital figures were available at the end of each of the last five fiscal years. The findings disclose how businesses below the top size bracket have grown over the recent years of overtime war activity. Important balance sheet and operating ratios for 78 lines of business are included in the study.

NATIONAL ASSOCIATION OF COST ACCOUNTANTS YEARBOOK, 1945. National Association of Cost Accountants, New York, 1945. 182 pages. Seventeen original papers on such subjects as cost-finding and price determination, transition problems of the accountant, cost data for day-to-day pricing, new problems in control of distribution costs, and methods for improving public relations through improved public reports.

DEPRECIATION POLICY AND POSTWAR EXPANSION. By Lewis H. Kimmel. The Brookings Institution, Washington 6, D. C., 1946. 66 pages. 50 cents. This study is concerned chiefly with two problems of depreciation policy. The first is the disparity between depreciation allowances and replacement costs which has resulted from the sharp rise in prices since 1940. The second is the question of whether the general depreciation policy of the Bureau of Internal Revenue is an appropriate one for a progressive and expanding postwar economy. The author makes concrete recommendations on both of these important problems.

FINANCIAL STATEMENT ANALYSIS: *Principles and Technique*. By John N. Myer. Prentice-Hall, Inc., New York, 1945. 257 pages. \$3.75. The object of this book is to develop sound principles for a technique of analysis and interpretation of financial statements of business enterprises. The methods presented are those which have been devised by analysts over a period of some 40 years and which have been tested by the author in practice and in the classroom. Some knowledge of accountancy on the part of the reader is assumed.

PRACTICAL FINANCIAL STATEMENT ANALYSIS. By Roy A. Foulke. McGraw-Hill Book Company, Inc., New York, 1945. 681 pages. \$6.50. This volume is designed to aid financial executives in making comparisons between the financial positions of their companies and those of others in allied lines. Considers the analysis of profit-and-loss statements; analyzes and gives a comprehensive classification of balance sheet items; describes the differences between internal and comparative analyses of financial statements, outlining techniques for both; provides standard ratios for many types of industry. Presupposes a basic knowledge of accounting terms and procedures.

Supervisors' Safety Scoreboard

AT E. I. du Pont de Nemours & Company, Penns Grove, N. J., a group of supervisors jointly developed a combined safety display case, slogan board, and daily departmental safety scoreboard.

Opposite the name of each department listed on the board is a card. A white card indicates the department had a 100 per cent safety record for the day. A green card is inserted for a minor injury. Yellow designates a sub-major injury. Red appropriately is a major injury.

The significance of these colors is explained on a "color code" included on the board. Employees show much interest in this daily record.

—*Management Information* 6/24/46

PUBLICATIONS RECEIVED

[Please order directly from publishers]

- PASS BOOK TO INDUSTRIAL SAFETY. Industrial Division, Greater New York Safety Council, New York, 1946. 8 pages. 3 cents.
- A CAREER FOR YOU: *The Why, What and How of a Career in Casualty and Surety Insurance*. Division of Research, Association of Casualty and Surety Executives, New York. 43 pages. 50 cents.
- THE PHYSICALLY HANDICAPPED WORKER IN INDUSTRY: *A Case Study Covering 1,815 Physically Handicapped Employees of the Lockheed Aircraft Corporation*. By Gilbert Brighthouse. *Bulletin No. 13*, Industrial Relations Section, California Institute of Technology, 1946. Available from Bookstore, California Institute of Technology, Pasadena 4, Calif. 54 pages. \$2.00.
- ECONOMIC RESEARCH AND THE KEYNESIAN THINKING OF OUR TIMES. By Arthur F. Burns. 26th Annual Report, National Bureau of Economic Research, New York, 1946. 69 pages. Gratis.
- STEEL IN THE WAR. United States Steel Corporation, New York, 1946. 164 pages. Gratis.
- ORGANIZING AND FINANCING BUSINESS: *With Questions and Problems*. By J. H. Bonneville and L. E. Dewey. Third revised edition. Prentice-Hall, Inc., New York, 1946. 393 pages. \$5.65.
- LABOR'S LIBRARY: *A Bibliography for Trade Unionists, Teachers, Students, Librarians*. The Workers Education Bureau of America, 1440 Broadway, New York 18, N. Y., 1945. 41 pages. 20 cents.
- CAREERS FOR MODERN WOMEN. By Harold S. Kahm. Knickerbocker Publishing Company, New York, 1946. 128 pages. \$1.00.
- LIMITATIONS ON CORPORATE EFFECTIVENESS. *National Policy Memoranda No. 47*. National Policy Committee, 1202 National Press Bldg., Washington 4, D. C., 1946. 33 pages. 25 cents.
- INDUSTRIAL RELATIONS IN CONDITIONS OF FULL EMPLOYMENT. By H. S. Kirkaldy. Cambridge University Press, London, England, 1945. 26 pages. 1s. 6d.
- EXECUTIVE PRACTICES IN THE FIELD OF HUMAN RESOURCES. By Lawrence A. Appley. *Bulletin Number 12*, Industrial Relations Section, California Institute of Technology, Pasadena 4, California, 1946. 24 pages. 50 cents.
- SETTING UP AN APPRENTICESHIP PROGRAM: *A Guide to Employers in Training Veterans for the Skilled Trades*. Apprenticeship Training Service, U. S. Department of Labor, Washington 25, D. C., 1946. 30 pages.
- ARTIFICIAL SUNLIGHT TREATMENT IN INDUSTRY: *A Report on the Results of Three Trials—in an Office, a Factory and a Coal Mine*. By Dora Colebrook. *Industrial Health Research Board Report No. 89*, Medical Research Council. Available from H. M. Stationery Office, York House, Kingsway, London, W. C. 2, England, 1946. 64 pages. 1s.
- PREDETERMINED TIME VALUES FOR PRODUCTION CONTROL. By Harold Engstrom. *Publication No. 20*, Chicago Chapter, The Society for the Advancement of Management, 3845 North Pauline St., Chicago 13, Ill., 1946. 11 pages. 60 cents.
- THE RELATION OF BUSINESS EDUCATION TO CONSUMER EDUCATION. The Consumer Education Study, 1201 Sixteenth St., N.W., Washington 6, D. C., 1945. 28 pages. Gratis.
- SELECTING AND OPERATING A BUSINESS OF YOUR OWN. By Gustav E. Larson et al. Prentice-Hall, Inc., New York, 1946. 364 pages. \$3.00.
- LABOR-MANAGEMENT ECONOMICS. By W. V. Owen. The Ronald Press Co., New York, 1946. 121 pages. \$2.00.
- INDUSTRIAL ACCIDENT RECORDS: *Their Compilation and Use*. Booklet No. 3, Industrial Welfare Division, Department of Labour and National Service, Melbourne, Australia, 1945. 42 pages. Gratis.
- STUDIES IN INCOME AND WEALTH. *Volume 8*. Conference on Research in Income and Wealth, National Bureau of Economic Research, New York, 1946. 297 pages. \$3.00.

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